The law made headlines around the country; the *New York Times* had a front-page story on "the considerable excitement . . . brewing in Wisconsin." The railroads had immediately responded that, on advice of counsel, who held that the law was patently unconstitutional, they would ignore it; Alexander Mitchell, the president of the Milwaukee, even publicly announcing that if it was enforced he would take off every train on the road.

In La Crosse, the papers quickly filled with letters condemning the "contumacious roads," who used "the worst species of political bummerism" in "dodges for evading the law." It was clear that a judicial determination was needed, and it came quickly. The Attorney General of the state asked for an injunction against the higher rates, and in September 1874, the Wisconsin Supreme Court, in a "historic decision" hailed by the press all over the state as "the most important ever delivered by the Supreme Court," upheld the Potter Law.

The railroads ever so grudgingly allowed that they would comply with the law but immediately set in motion a full-scale political campaign for repeal. Extensive memoranda were laid before the legislature, picturing the financial ruin that would be wreaked by the rate regulations. A wide publicity campaign also was mounted with the general public, playing on the latter's fears of diminished service. By 1876, enough sentiment had been aroused to scuttle the law. Over the vehement opposition of the Grangers, new legislation was voted in 1876 that grandfathered rates to the 1872 tariffs, which were high enough to be more than acceptable to the lines. It was to be many more years before Wisconsin returned to stringent regulation of its railroads.

Despite the legislative turnarounds in Minnesota and Wisconsin, the concept of state regulation of railroads and warehouses subsequently was upheld by the United States Supreme Court in a series of key decisions in 1877 that have come to be known as "the Granger Cases." Several of these were railroad rate cases; the central one upon which the doctrine was established concerned an Illinois law regulating rates charged by warehousemen. In the decision, *Munn* v. *Illinois*, the Court upheld the law as a legitimate expression of the state's police power in regulating businesses "affected with the public interest." In the process, the justices did not accept the claim that due process had been denied or that state regulation impaired the unilateral control of Congress over interstate commerce.

In 1886, in another Illinois case where legislation had prohibited long haul–short haul railroad determinations, the Supreme Court invalidated the law as an infringement on Congress exclusivity in interstate commerce regulation, and the "Granger" rulings were gravely weakened. The Interstate Commerce Act was then passed by Congress in 1887, giving the Interstate Commerce Commission wide powers to regulate every railroad crossing a state line and in the process mandating a federal supremacy for

railroad regulation, an effective power that has provided the basic control mechanisms down to the present day.[20]

"Minnesota Grades"

Minnesota finally enacted a railroad and warehouse law with teeth in 1885. The warehouse provisions became particularly important, for the legislators provided explicit regulation of the grading and weighing of grain. State grain inspectors were established, and grading distinctions of considerable clarity were established. Soon "Minnesota Grades" became known and recognized not only all over the United States but in foreign markets as well. Terminal warehouse owners were now to be licensed (and country elevators, too, after 1893). The commissioners who administered the law concluded, in their first report in 1888, "the grain law at once revolutionized the whole grain business of the Northwest."

The Grangers were not much involved in these frays in the 1880s and 1890s. Its members seemed to lose most of their political fervor, and the Grange became more oriented toward cooperative endeavors at the local level. Other regional farmers' groups took their place on the political scene.[21]

La Crosse Beckons

Will and Ella Cargill made a decisive business and personal decision in 1875—to move to La Crosse, Wisconsin. Existing records do not reveal any specific reasons. Most likely, business opportunities motivated Will Cargill's move, for La Crosse was a geographical node for regional commerce. This set his grain-trading sights eastward to Milwaukee and Chicago, more than north to the Twin Cities. The *Freeborn County Standard* editor gave major space to their move and ended, "While we are sorry to lose such worthy men and women, we congratulate the people of La Crosse on the acquisition of such strength to their business interests, as well as to their social system." Not to be outdone in encomiums, the La Crosse *Republican and Leader's* editor gushed, "La Crosse is always ready to extend the hand of welcome to men of pluck, brains, enterprise and capital." Will Cargill, incidentally, kept his loyalties to Albert Lea, exhibiting the same streak of generosity shown by his parents, who had contributed significantly to the Janesville Methodist Church. Twenty-five years later Will gave a substantial sum of money to Albert Lea College, a now-defunct Methodist women's school, for a science hall which was named after him.

La Crosse was to be home for Will and Ella for the rest of their lives and home office for all of Will's business endeavors. What was this town like in the mid-1870s? Certainly it was more worldly than Conover, consid-

Bird's-eye view of La Crosse, Wisconsin, 1887. Elevator to the right in foreground is the Cargill elevator (courtesy Area Research Center, UW–La Crosse).

erably larger than Albert Lea (La Crosse County had over 23,000 people on June 1, 1875, the city itself just over 11,000). As a river town that was served also by railroads direct from both Chicago and Milwaukee to the east and St. Paul to the north, it saw itself as "in the not very distant future one of the largest cities on the east bank of the Mississippi between Cairo and St. Paul" and as a preeminent grain trading mart (although its primary industry still remained lumber).

The Panic seemed not to have damaged La Crosse as much as some of its sister cities in the area; it was, in effect, "a fine business town." There *were* problems—nagging concerns about the area's wheat quality had come to the attention of Milwaukee and Chicago merchants, making some wary of purchasing. There were also concerns about the city's port facilities and the efficacy of the river channel itself.

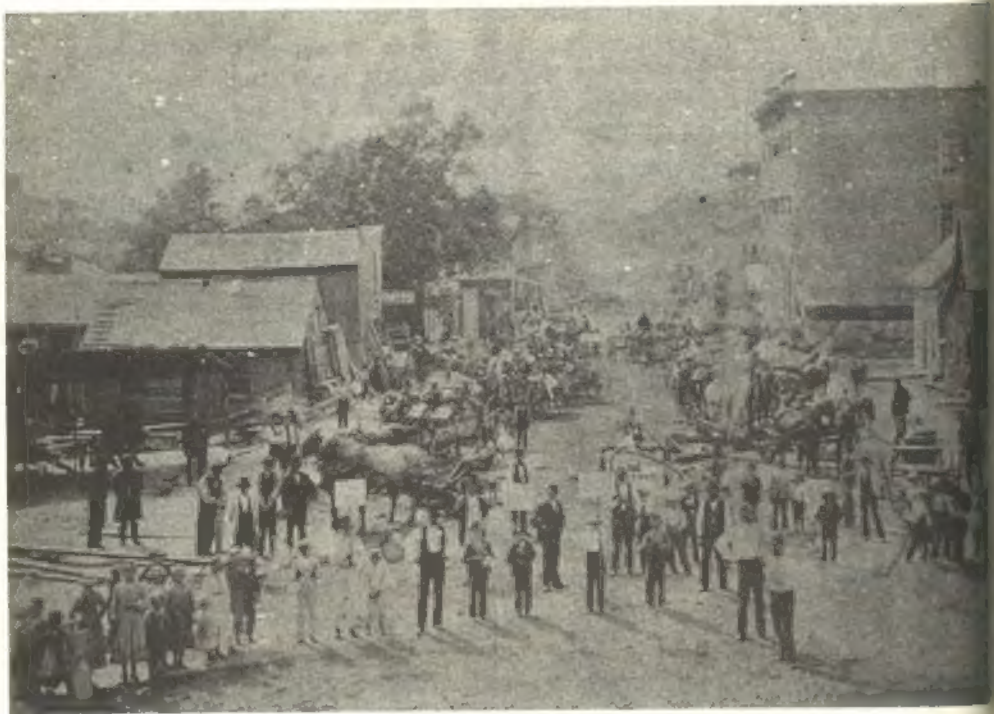
Although La Crosse was considerably more cosmopolitan than Albert Lea, agriculture still dominated its thinking. W. R. Finch, the editor of the *Republican and Leader*, noted the near-completion of the harvest in September 1876: "The grain buyers make it lively for each other, now that the new crop is coming in, and farmers rejoice." Labor in quantity was the precious commodity during harvest, but now "the harvest is over and the servant girls begin to return with their wardrobe done up in a handkerchief only to go home again in ten months with large trunks full." It had not been an easy endeavor; there were many evidences: "The effect of the late

harvest begins to be seen on the streets in the shape of maimed and wounded men, victims of the relentless reaper." Business would heighten now; editor Finch (and the business community) waited anxiously: "The streets are exceedingly quiet these days and it will be a relief to all when the farmers once more begin to come in and fill them up. At present a few hay teams are all that are to be seen, and business is dull."

And business did preoccupy the busy riverport. Finch unashamedly shilled for businessmen in his news column (provided they were advertisers) but was not above poking fun at them, too: "The numerous buttons on ladies dresses give rise to some funny things . . . one of our leading merchants was walking down the street behind a young lady who had a very large supply and thinking over some business transaction said 'One hundred and forty.' The lady overheard the remark, turned and said, 'Oh no, Mr. Blank, there are one hundred and fifty, for I sewed them on myself.' The gentleman stared, bowed and walked on wondering what she knew about his business."

La Crosse was still a small town on the prairie; animals coexisted alongside humans—sometimes too close alongside: "Cows are very domestic, and a nice thing to have around, but there is one in this city that is entirely too familiar, and we are tired of climbing over fences to escape her attentions. If the nuisance is not abated we will have to hire a small boy to take her to Uncle John's pound, where she can exercise her talent on the stone pile."

Fire department, La Crosse, Wisconsin, early 1870s (courtesy Area Research Center, UW–La Crosse).



Agricultural fair, La Crosse, Wisconsin, c. 1875 (La Crosse County Historical Society).

All in all, the La Crosse of the centennial year of the country was a lively, busy, excitable environment, ripe for business and still full of the verve of the railroad frontier that W. W. Cargill had experienced a decade earlier in Conover, Iowa. The two prairie schooners that "sailed down State Street Monday bound for Minnesota, where the passengers propose to furnish food for the grasshoppers" seemed to epitomize the tension between the excitement of the unknown and the security of the settled community. Both of these features were in La Crosse, and likely both still in W. W. Cargill.[22]

New Partners

Although the actual relocation of the W. W. Cargill business to La Crosse occurred in early 1875, Hyde, Cargill remained in business until August 1877 and kept an office in Albert Lea for this period. "W. W. Cargill & Bro." was now the La Crosse name; Sam Cargill remained Will's full partner, with youngest brother Jim, now 23 years old, also joining the firm

at this time. During Will Cargill's first full year in La Crosse, the new firm (already "the largest dealers in this section," according to the newspaper) found itself facing a sensitive situation. The month of June, 1876 had been extremely hot. This not only damaged the new crop but caused much "hot wheat" in farmers' grain storage, some even catching fire from spontaneous combustion. Wanting to get their wheat off their hands, the farmers loaded up and headed for town. "There's such a crowd of farmers' teams waiting to unload at Hyde, Cargill & Co. . . . all men who can work conveniently are taking it in." But it was soon evident that much of the grain was out of condition, some so bad that it could not be accepted even for the lowest grade. Hyde, Cargill was forced to make unpopular decisions in turning some of this grain away. The newspaper admonished, "farmers who have any hot wheat had better not take the time and trouble to get it to town, as it is a glut in the market, and meets with poor sale."

But for Hyde, Cargill it was a good year, and the following spring Will and Ella, together with the B. J. Van Valkenburghs and the S. Y. Hydes took a pleasure trip to Chicago, whereupon the La Crosse *Liberal Democrat*, living up to both of its names as a critic of the wealthy, commented: "They have been making so much money on wheat that they'll buy Chicago if they feel like it."

R. G. Dun & Co., the credit reporting agency, had opened a branch office in La Crosse in 1876, and Hyde, Cargill was evaluated anew. The Dun correspondent was, if anything, more confused about Will's far-flung operations than had been his counterparts in Iowa and Minnesota—the parties "stand well . . . doing a good business . . . active & energetic young men . . . perfectly safe, but cannot obtain estimate of means." The correspondent explained, "On account of the character of the property in which


Office of
Hyde, Cargill & Co.
La Crosse, Wis Oct 1st 1875
This is to certify that I have [illegible] to W. W. Cargill & Received Payment & hereby acknowledge receipt Four thousand dollars for My 15 [illegible] from [illegible] [illegible] [illegible].
[illegible]
Witness
S. D. Cargill

Hyde, Cargill letterhead, 1875.

Hyde, Cargill advertisement, April 1875, the first advertisement of the firm after its move to La Crosse, Wisconsin.

their means are invested, it is almost an impossibility to accurately estimate their worth." He worried, "in case of disaster, the opinion prevails that [the property would] not be realized upon unless at a heavy sacrifice."

The distinction between the "Office of W.W. Cargill" and "Hyde, Cargill & Co.," a relationship that had puzzled the Dun correspondent in Albert Lea, became academic in 1877, when the Hyde, Cargill relationship was phased out and the firm name eliminated. Hyde first went into a brief partnership with one Bonner, then formed a new warehouse and elevator company in La Crosse with L. F. Hodges, a general commission merchant residing in Milwaukee. The latter appeared to be a man of considerable wealth, for the Dun correspondent noted that he owned property in three states, including 59 lots in St. Paul, also a "large tract . . . of marsh land." While the new firm, Hodges & Hyde, "stand high with the trade," the Dun correspondent did worry that they "speculate more or less all of the time." Hyde was regarded "as a fair businessman . . . not understood to be worth much . . . the impression prevails that he cannot be worth the amount he claims."

Hodges & Hyde proceeded to purchase a number of elevators and warehouses along the Southern Minnesota line, ostensibly in direct competition with Will Cargill at several points. There is some evidence that Hyde was attempting to distance himself from Will Cargill, although an amicable letter from Hodges to Cargill in August 1875 belies any ill feeling.

Any posture of vigorous competition was disputed, however, by Henrietta Larson: "Hyde and Cargill had been buying together earlier, but even after they had formed different companies it appeared to the farmers that they did not seriously compete [and] tended to prevent competition on the part of other buyers. . . . Several buyers or agents jumped onto the farmers' wagons to bid for the grain, but their attempts to keep up the appearance of competition were often so ill-concealed as to make the farmer suspicious."

Will Cargill now formed new links with powerful colleagues. While keeping his firm, "W. W. Cargill & Bro." in place, Will Cargill established another partnership in 1877, "Cargill & Van," with B. J. Van Valkenburgh, who also had moved to La Crosse in 1875, the same year that Will Cargill had relocated there. The firm's first letterhead announced that it was in "Grain and Produce—on Southern and Central Railroads of Minn.," a signal that Will Cargill also continued to look north and west. Another part of the letterhead announced another important formal relationship—Bassett, Huntting & Co., the old McGregor, Iowa, firm was listed as a principal. This latter relationship may have been a formal partnership agreement, although none can be found in extant records. Still, it is likely that there were varying ad hoc arrangements for individual elevators and other projects. In one such agreement (to acquire a 1280-acre plat in an unnamed town), Bassett, Huntting had "6/12"; Will Cargill, "4/12"; and Van Valkenburgh, "2/12."

It seems clear that Will was "close and attentive" as far as repayment of debts, as this young man already commanded wide respect from his peers and was accorded ready access to money. As early as the Hyde, Cargill days, there was increasing evidence of his inattention to details. In June 1876, H. D. Brown, a banker in Albert Lea, failed to include certain pro-

Cargill & Van business card, 1879.

visions that Will Cargill wanted in a mortgage Brown was drawing for him; Brown responded, "I would have done it if I had known in time that you so desired it." A lawyer, S. D. Abbott, in Winnebago City at the end of the Southern Minnesota line, was attempting to collect a note held by Hyde, Cargill, with a wagon as collateral. The contract was "poorly drawn, but I think I can get the wagon back, if I cannot collect." In January 1877, John Kaercher, the owner of the "Clear Grit Mills," chastised Hyde, Cargill: "The most fault I found with your letters was that I could not understand what you did propose to do, whether on a certain basis or not—it looked to me that it might be construed either way."

Some of this may have been due to Will's handwriting, as both he and Sam "had the disconcerting habit of trailing upward or downward, and the tendency to swish the pen on words that were hard to spell." In 1883 they hired a newly trained "stenographer" (male in those days), one I. C. Cuvellier, who brought with him his big box-like "Caligraph" typewriter, and the correspondence became much more readable.

Another customer of Hyde, Cargill noted, "Armstrong writes that he notified you but has heard nothing from you and he is afraid there is 'something wrong.' Please let him know that it is all right." A Hyde, Cargill assistant in Albert Lea, pushed by a fellow employee at Lanesboro for money to buy, wrote, "would send it today but Cargill went to Mankato yesterday and neglected to leave any drafts signed." Jason Easton himself wrote a detailed three-page letter to one of his branch banks, detailing exactly how monies tendered to Hyde, Cargill should be accounted for: "They must keep you notified . . . you want to insist."

Will Cargill centralized control in his hands, not vesting authority in his assistants. An Easton bank employee noted, at one point, "Hyde, Cargill & Co. say in the future they don't want you to furnish currency to any station except on orders from Headquarters, so that Hobart must get orders from H.C.& Co. before you let him have any."[23]

A July 1875 contract with a Whalan, Minnesota, firm, to buy and sell wheat, barley, oats, corn, hides, and hogs, also included a provision that "said Downing & Brother agree to make reports to Hyde Cargill & Co. at La Crosse, Wisconsin every day . . . so often as said Hyde Cargill & Co. may deem it necessary, the expense of . . . stationery and insurance to be paid for equally."

The agreements generally provided for commission charges, usually 3¢ per bushel for wheat on consignment. Some contracts contained additional constraints; for example, a Chatfield, Minnesota, "general merchandise" dealer, C. M. Lovell, wanted Hyde, Cargill "to keep this contract strictly confidential & in no way give farmers or others any information that will leave them to think I have any special advantages in buying or storing grain."

Hyde, Cargill apparently was large enough to justify rebates from the Southern Minnesota Railroad. In turn, Hyde, Cargill itself gave rebates to some farmers north of the Southern Minnesota line, presumably to draw business from the area where the Southern Minnesota and the Winona and St. Peter railroads competed. One such contract stated, "this arrangement is made with the distinct understanding that the entire rebate is to be used in paying an increased price for wheat from 4 miles north of the line."

The large number of warehouses and elevators acquired by both Cargill and Hodges & Hyde illustrate well what came to be known as "the line," a group of country elevators, sometimes with storage at primary points, under one central management. Henrietta Larson dated this development from 1876 and described it this way: "The buyers at the individual elevators receive definite instructions from the central office, where all matters of policy, price, grading, weighing, charges for storage and handling, shipping and selling in the primary markets are determined. The local buyers are merely agents of the line and as such are obliged to follow instructions." This became characteristic of elevator operation in the country wheat trade, both then and later.

The two "competitor" firms were very strong on the Southern Minnesota. Larson cited "a sale which they made in 1878 of 80,000 bushels of no. 1 wheat to a Liverpool buyer, which was said to be 'one of the heaviest wheat sales ever made in the Northwest,' and which was probably the first important sale for direct export from Minnesota." (Likely this was done through a representative or correspondent of a Liverpool firm residing in New York City.) Cargill's most common route for export wheat was by lake-shipping to Buffalo (from either Milwaukee or Green Bay), then by rail through to New York City, where the New York Central & Hudson River Railroad maintained two huge waterside terminals, one holding 2 million bushels, the other 1½ million. Shipping by rail from Chicago eastward also was a common route. Robert Eliot handled most of W. W.'s business for this but complained that "certain very wealthy and influential dealers" in the East maintained control of the rates and "had an advantage at first of about 3 cents a bushel [but] we could not prove it."

La Crosse was still in the depths of the depression, and foreclosures were common. Some lawyers specialized in peddling notes, almost as if they were money. Eugene E. Snow, in Spencer, Iowa, operated a "law, loan & collection office"; J. H. Parker, in a law firm in Albert Lea, offered a note to Will Cargill for his personal purchase in April 1876. Will was assiduous in following up on these; he wrote one of these collectors, "Don't leave a thing undone or a stone unturned necessary to the collection of these notes. We must have the money . . ." It was always best to write in the contract some physical pledge; for example, a contract drawn in April 1874 provided "two spring colts" as security.[24]

"The Western Grain Movement—at the Hudson River Elevator in New York," Frank Leslie's Illustrated Newspaper, *November 10, 1877.*

In the harsh business climate of the Panic, it was the survival of the fittest. It was not just the Dun correspondents who were blunt—Will Cargill's business papers are full of similar comments. People with whom he dealt were quickly sorted out, and those unable to pay were noted as "no good" (or even "D.B.," a deadbeat). One person owing Cargill & Van a considerable sum had some land, but Will Cargill asked his collector, "Is it all exempt by law? . . . Better have him make a property statement to you & if there is anything not exempt . . . sue him and get it into a judgment." In another case, difficulties on a mortgage were blamed on a "dishonest wife." One debtor "skipped the country" in February 1880. He was traced to Centralia, Wisconsin, but the correspondent noted, "He is just making a living and a very poor one at that . . . constitutionally lazy." There is no record that Will Cargill ever got his money.[25]

Will Cargill's entrepreneurial interests kept turning him in any direction where he seemed to see opportunity for profit. Invention itself was not his bent, but he was quick to recognize the value of new, innovative machinery. Most of these were patented, so Will Cargill purchased several rights for such equipment. One, for example, was for grain-cleaning machinery. As early as 1879 he was also experimenting with seed propagation. In 1880, he obtained rights from the Southern Minnesota Railroad to put

a "cleaning elevator" at Hokah, Minnesota, five miles south of La Crescent, just across the river from La Crosse, Wisconsin, in this case using some of the new technology. The railroad allowed Cargill to "clean in transit," the line giving Cargill a 10-year contract. Relations with the Southern Minnesota had not always been as amicable. For example, in October 1876, the old firm of Hyde, Cargill had acquired a warehouse from Hodges at Albert Lea. The railroad wrote, "This is contrary to our understanding and if you retain it, we will want possession of the Easton's elevator at that point." The records show, however, that Cargill & Van was a preferred shipper entitled to continuing rebates. Most of these were from the Milwaukee railroad, but some were from the independent Green Bay & Minnesota line (later called the Green Bay & Western).[26]

Will Cargill also recognized early the critical importance of a good communications network. By July 1879, the *La Crosse Chronicle* reported a telephone network connecting "Cargill & Van's office, Gund's brewery,

"Farm machinery dealers displaying their wares," Rush City, Minnesota, c. 1892 (Minnesota Historical Society).

the Green Bay depot and Segelike, Kohlaus & Co.'s factory" (this was just three years after its invention by Alexander Graham Bell).

In October 1880, W. W. Cargill and Bro. began constructing an elevator at La Crosse. A contemporary report described it as some 30 by 60 feet in dimensions, 85 feet in height, with a separate building some 30 by 100 feet, the latter containing a 60-horsepower engine for the lifting. The elevator, according to the account, had a capacity of some 50,000 bushels. This legitimately could be considered Will Cargill's first owned "terminal" elevator, an elevator (generally of substantial size) placed at the head of the line, where grain could be funneled to it for storage and further shipment. Cargill's delivery to the east was much facilitated by this addition.

In the early 1880s, Will Cargill also entered flour milling on a small scale, purchasing two moderate-sized mills, one at Hokah, Minnesota, and the other at Houston, some 12 miles farther west. The two mills were operated under a separate partnership, Cargill & Fall (James Fall was the other member); they called their flour "Diamond Dust." The two men also bought into an existing mill at Whalan, Minnesota, some 18 miles west of Houston. They improved it with a modern rolling mill, but shortly after, in 1884, the mill burned to the ground. Unfazed, the partners rebuilt the next year.

These were nothing like the giant mills in Minneapolis, but the machinery was more complex than an elevator and the investment relatively substantial. Further, it was a conscious effort to integrate forward into the end-use of grain. Cargill now often pressed vigorously to sidetrack "through" wheat destined for Chicago in order to keep a steady flow for the mills, always a dominant factor in a process-oriented business. He wrote a St. Paul commission house in May 1882, for example, "if you have 2 cars at Litchfield, you could send from there, sell to us for Chicago, to be ***milled at Hokah***."

A turn eastward to Green Bay next was taken, a critically important move. Green Bay had long been a lake shipping point secondary to Chicago, Milwaukee, and Duluth and had been connected in the early 1870s with La Crosse through the building of the Green Bay & Minnesota Railroad (later called the Green Bay & Western) westward from Green Bay to the Mississippi River at Marshland (with connection across the river to Winona, Minnesota, and the Winona & St. Paul Railroad and with further connections southward to La Crosse).

In 1878, Cargill & Van began buying property along the Green Bay & Minnesota, using J. B. Canterbury as its agent. By 1880, Cargill & Van had warehouse operations at nine locations on the western reaches of this railroad, at Dodge, Arcadia, Independence, Whitehall, Blair, Taylor, Hixton, Alma Center and Circleville, Wisconsin. In Green Bay, Cargill & Van in 1878 acquired a warehouse (capacity 30,000 bushels) and leased from the

Early Cargill shipbuilding on the Black River in La Crosse, Wisconsin, 1890s.

Chicago & North Western railroad a 250,000-bushel terminal, formerly the Elmore and Kelly operation, also taking over the latter's commission business. It had been built in 1862 at a cost of $80,000 and stood 100 feet high, a landmark for the Green Bay shoreline. The company also owned "a small tug for handling local freights," once again a small step toward vertical integration and a portent of the future. Cargill & Van also was trading in salted fish in 1880, out of an office in Green Bay. The amounts were substantial—the inventory at this point included 103 half barrels of flat herring, 110 of white fish, 130 of trout, and 5 of red herring.

The Green Bay location, on the bay, linked the Company to lake shipping—grain could be sent by lakes all the way to Buffalo or sent across Lake Michigan to the port of Ludington, Michigan for eastward shipment by rail to, for example, the export terminals of New York City. Rail and inland waterway companies often have great volume going in one direction and always try to run loaded in both directions—not "deadhead" back on a return. Midwest grain for eastern milling centers and for export had both large west-to-east and north-to-south volume. The grain lakers that came to Green Bay found an important backhaul for their voyage coming in, anthracite coal from Pennsylvania. This intrigued W. W. Cargill, for his elevators sold coal as a sideline, both anthracite from the east and bituminous from midwestern mines. By the mid-1880s, a Cargill coal business

was in being in La Crosse. So W. W. became keenly interested in the lakers, both as a possible forward integration and as a backhaul for his coal. The firm became an agent for the Union Transportation Company steamers, which connected with Buffalo, and W. W. also himself invested in two Great Lakes steamers, the *America* and the *Brazil*, as a minority partner in the Wisconsin Transportation Company. But his name does not appear as a "managing owner" in remaining records of any Great Lakes ship of those times.

W. W. was also a stockholder and booster for the Kewaunee, Green Bay & Western Railroad, a feeder line just over 30 miles in length that was built in 1891. It cut across the Green Bay peninsula, connecting the Green Bay & Western Railroad at Green Bay with the Lake Michigan port of Kewaunee. This port was more apt to be ice-free than Green Bay in the winter. The connections on the Michigan side included, in addition to Ludington, the ports of Manistee and Frankfort, also served by rail.

In 1881, Will and Ella Cargill began the construction of a massive, three-story home in a prestigious part of La Crosse. Added to and embellished in subsequent years and lavishly remodeled in 1906, it became a showpiece for the town. Clearly, the W. W. Cargills had "arrived," both economically

W. W. Cargill home, La Crosse, Wisconsin, mid-1880s.

and socially. A major two-column article appeared in the *Republican and Leader* in October 1880, entitled "Crop Movers: Past and Present of the Cargill Brothers." The editor complimented the organization that had "brought their business down to a system as perfect as that which regulates the movements of the corps, divisions and regiments of a grand army. . . . The firm handle[s] from 2,500,000 to 3,000,000 bushels of wheat annually . . . and keep[s] an army of clerks and buyers . . . they are live business men, a valuable acquisition to the business and social forces of La Crosse, where they have resided . . . in the quiet enjoyment of a rapidly increasing income."

Perhaps Will and Sam Cargill still sensed an unease on the part of the Dun correspondent, for in January 1882, they invited the correspondent to the offices and laid before him the books of the firm. The assets totaled $358,745; the liabilities, $186,062, "of which amt 159m is to R. Eliot & Co." The correspondent seemed surprised by the fact that over $33,000 of the inventory was in wool but was positive about the fact that the profit of the year was "some 40m." He worried that the Cargills were overvaluing their property, "that to any one else it would not be worth near that sum. . . . The R/E [real estate] item will stand a cutdown from their valuation." Just after this cautionary comment, the correspondent noted, "W.W.C. is building a very handsome home which will cost 20-30m." Even with his skepticism he still concluded that they were "live, energetic, good businessmen, close and attentive."

All of this success seemed hard to manage for Will Cargill. The flurry of activities in this 1880–1881 period apparently exhausted him—the La Crosse *Chronicle* editor reported, in August 1881, "Mr. W. W. Cargill is in Chicago and contemplates a visit to the sea coast. He is somewhat out of health from overwork and needs a season of complete rest."[27]

The Mule Farm

Another new venture of Cargill & Van occurred in the late 1870s and early 1880s, a foray into farming itself. When the economy began to come out of the doldrums in 1878, railroad construction began again all over the Midwest. One such company was the Southern Minnesota Extension Company, headed by Jason Easton as president. It was absorbed by the Southern Minnesota Division of the Milwaukee road in 1880, which began in that year to build westward from Winnebago (where the Southern Minnesota had stopped in the early 1870s) toward the border of the Dakota Territory. By June 1878, it was already through Martin County, Minnesota, and moving westward. Once again, Will Cargill followed the frontier and began buying properties at several points along the new stretches of the line in areas often not yet even platted as towns. One of these was in the

western reaches of Martin County, where a new town, Sherburn, was being formed. Cargill & Van owned substantial amounts of the whole area, including most of the Sherburn townsite and a 5,760-acre piece south and west of the rail line, known variously as the Big Farm, The Mule Farm, and Muletown. Here Cargill & Van proposed to integrate backward into farming and on a consequential scale, too. The Martin County *Sentinel* picked up the development in its issue of June 27, 1879. The farm had opened the previous summer, with some 2,300 acres broken at that time; 1,900 of these were now in small grain, the remainder in "corn, potatoes, roots, etc., the greater portion of which looks promising, indeed." An additional 2,000 acres was to be broken in 1879. A move was already underway to have the farm incorporated officially as "Muletown." A "long shed," nearly 900 feet in length, was built for what was expected to be a herd of over 500 cattle.

Meanwhile, Cargill & Van had built an elevator back at Sherburn itself, one of relatively small size costing about $3,500 but with modern elevating equipment. It had been up no more than a year when, in November 1879, fire took it down to the ground, burning in the process 3,000 bushels of wheat, 2,000 of which came from the Mule Farm. Will Cargill and his partners, undaunted, rebuilt with a 6,000-bushel building, this time only a warehouse.

In 1880, B. J. Van Valkenburgh, unwell, decided to retire. Apparently he owed Will Cargill some $6,120. As a result, in June 1882, an agreement was struck between the two men, giving Will Cargill the Van Valkenburgh share of a number of the terminals, as well as the latter's rights in the Cargill operations at Green Bay. This took care of some $3,673 worth of the debt, with the remainder to be paid on a new note, at 8 percent (a lower rate than usual, since most contracts in this period were calling for either 10 percent or 12 percent). In the process, Van Valkenburgh's involvement in Mule Farm was terminated, Will Cargill then becoming, according to the newspaper, "the principal owner."

It was a dubious distinction, as the farm had begun doing badly. The first resident manager, according to the newspaper, had "run things with a lavish hand and when he left he was careful to take away everything that belonged to him." (The editor seemed a bit ashamed of having been so harsh and wrote in the next week's paper, "Rather hard on 'old Harv' in last week's *Sentinel*.") The new manager, H. N. Swarthourt, was more efficient, and the farm began to recover some, but it was a losing struggle. In 1886, the entire operation was put up for sale. Sickness in the stock and bad weather had been contributing causes, but it seems more likely that trying to run an operation of this size on an absentee basis was not effective. As a local historian put it, "The owners soon found that the more land they broke up the more money they lost." Will Cargill was 170 miles to the east and seldom saw the property. Further, he had had little experience in farming since his boyhood and was not attuned to the signals that farm records might give of impending difficulty. Swarthourt subsequently was given a job in the Cargill organization. Muletown, "now but a memory and a ghost town, with no trace of anything to prove it even existed," said a later newspaper article, was Will Cargill's last venture in large-scale, corporate farming.[28]

Will Cargill had another, smaller farm near Alden, just west of Albert Lea. Here, too, there was a resident manager, and apparently he also experienced difficulty in getting instructions from Will Cargill (writing in January 1879, "What do you want to do with your oats?"). Two months later, the manager precipitated a large argument about the measurement and grading of the wheat crop; "Eckert writes you that I took advantage of circumstances through threshing. I say that it is all false and I can back every word that I say . . . I asked one of your wheat buyers at elevator to look this matter up . . . he said he knew better without looking and would tell you when you came to Alden." Once again, Will Cargill's lack of attention had caused ill feeling.

Another farm manager had to be handled more sensitively, however. W. A. Stowell, Will Cargill's father-in-law had sold his interest in the dry goods business in Conover and had moved to Charles City, Iowa, 40 or so miles west of Conover. Here he was managing a farm owned by Will Cargill. Once again, there were letters back and forth about how to handle the marketing of the crops; Stowell had not had much luck on the farm. He had continued selling insurance and had provided some policies for Will Cargill's operation. When Will had another substantial fire loss, at the Grand Meadow, Minnesota, elevator, Stowell wrote that the company was uneasy about its exposure and wanted an additional premium. He added, "We are all well and ma & Clarra are buisey in makeing up some things for Christmass for the little fellows" (his misspellings).[29]

But neither of these farms was on the scale of the Mule Farm, where Will Cargill really had contemplated an integrated operation that would supply his grain business. It was not until the first decade of the 20th century that this notion of integrating backward into farming once again appealed to him. The location was Montana—and the results disastrous.

The Red River Valley

When the railroads commenced building anew after 1878, Minnesota's agriculture and railroad situations changed radically (Henrietta Larson regarded the year 1880 as the watershed). The wheat crops in the southeastern and southwestern regions of the state had tailed off in the late 1870s, in terms of both quality and yield. Fortunately for the farmers, livestock had

become a profitable substitution. This did not bode well, however, for the shippers of grain along those southern routes.

The grain traders' sagging fortunes in southern Minnesota were more than made up, however, by a dramatic development in the northwestern part of the state, in the region bordering on the Red River. Here the rich virgin soil produced excellent wheat in large yields; the region's spring wheat was of the highest quality. The heightened importance of the Red River Valley wheat was much enhanced by the fact that the railroads rapidly built into this area. During the year 1879, not only did the Southern Minnesota line reach the Dakota Territory's border, but in the north, the St. Paul, Minneapolis and Manitoba (later the St. Paul and Pacific) and the Northern Pacific separately linked both Duluth and Minneapolis with this important new wheat-growing area on the Minnesota-Dakota line.

The combination of the new wheat fields and the extended railroads brought a phenomenal rise in the importance of Minneapolis and Duluth as wheat markets. Minneapolis had been a modest flour milling center since shortly after the Civil War. Then, with the development of the so-called New Process way of milling after 1871, the hard spring wheat of the Red River Valley could be readily converted to flour. That hardness had caused problems earlier, but the New Process approach allowed the middlings from the first grinding to be purified and reground and saved the discoloration that had come from earlier methods. This innovation, originally developed in France, was introduced with great success (and profits)

Arrival of harvesting machinery, Red River Valley, c. 1895 (Minnesota Historical Society).

Promotional brochure for Red River Valley, picturing the "Double Track Stone Arch Bridge," Minneapolis, 1885 (Minnesota Historical Society).

in the huge Washburn "B" mill, the largest in Minneapolis, and soon was being used by other major millers in the city. Most of these were large-scale operations, an apparent requisite. Out of this milling development in Minneapolis grew a very important new organization, operating as the Minneapolis Millers' Association from 1876. This powerful buying organization was the famous (or infamous to the farmers) "Millers' Trust." In 1881, a group of Minneapolis grain traders formed the Minneapolis Chamber of Commerce, a name that continued to confuse many people, for it actually was the grain exchange. This group incurred the ill will of the millers, who felt that their own organization's monopoly's position would be challenged. Subsequently, the Millers' Association faded away, and the grain trade was centered in the Chamber of Commerce.

Duluth, too, had had a stunning rise in importance as a wheat market after 1880, jumping from an annual average of 1.6 million bushels in the 1876–1880 period to an average of 9.2 million from 1881 to 1885. The wheat was sold on Duluth's own grain exchange, its "Board of Trade," and almost all of the traded grain was then shipped via the Great Lakes eastward to flour milling cities like Buffalo, New York. While the primary markets for northern Iowa and southern Minnesota wheat continued to be Milwaukee and Chicago, the developments in Minneapolis and Duluth, and in their Red River Valley suppliers, changed a whole set of equations for the upper Midwest grain trade. This phenomenon was not lost on the Cargills.[30]

Jim Cargill in Dakota Territory

The La Crosse "W.W. Cargill & Bro." had always been Will Cargill and his brother Sam, just two years his junior. Next brother Sylvester had worked for Will for a half dozen years, but had been in his own grain business independently from the mid-1870s.

This left youngest brother James Flett Cargill, born in 1852 and therefore eight years Will's junior. Jim had begun working for Will and Sam shortly after they moved to La Crosse. Sometime in the early 1880s, Jim left the security of working for the two older brothers to strike out on his own, first with John D. McMillan (as "Cargill & McMillan"), and then in a partnership with Will and Sam, appropriately called "Cargill Brothers." Jim was headquartered at his "general offices" in Wahpeton, Dakota Territory, on the Red River in the southeast corner of what is now North Dakota.

Jim did not have enough money to accomplish this completely on his own. Some part of the capital came from McMillan (to distinguish this spelling from that of the John MacMillans, also La Crosse relatives, the former's side of the family was often called "Mick"Millan). John McMillan was born in 1860 in La Crosse, so was eight years younger than Jim. Both McMillan and Edward Osborne had been working for Will Cargill in the La Crosse office; in 1887, the separate Osborne-McMillan Elevator Company was formed by these two in Minneapolis.

Given John McMillan's age, it is probable that most of the capital for the Red River Valley effort was supplied by W. W. Cargill & Bro. General ledgers of "J. F. Cargill" for the years 1883 and 1884 show substantial drawing accounts on W. W. Cargill & Bro. and list a significant number of elevators and warehouses in the Valley during those two years, at 17 locations.

Jim Cargill had been in charge of some of the firm's elevator construction when he worked for his older brothers; now he did the same with his

"The Big Farm," Red River Valley, Frank Leslie's Illustrated Newspaper, *October 19, 1878.*

own elevators. At about this time in the industry, a new form of construction—the "cribbed" elevator—began to be the norm. "In this construction," a 1907 engineering book on grain elevators stated, "2" x 4", 2" x 6", or 2" x 8" are laid flatwise, so as to break joints and bind the structure together and are spiked firmly." This "log cabin" approach could resist the great fluid-like pressure on the sides, so made a strong form of construction, "one very cheap with the former low price of timber." The 1945 Cargill history claimed the cribbed elevator as an innovation of Jim Cargill, but no corroboration appears in any of the records—it may have been like the steel plow, where a number of inventors came up with the idea at about the same time.

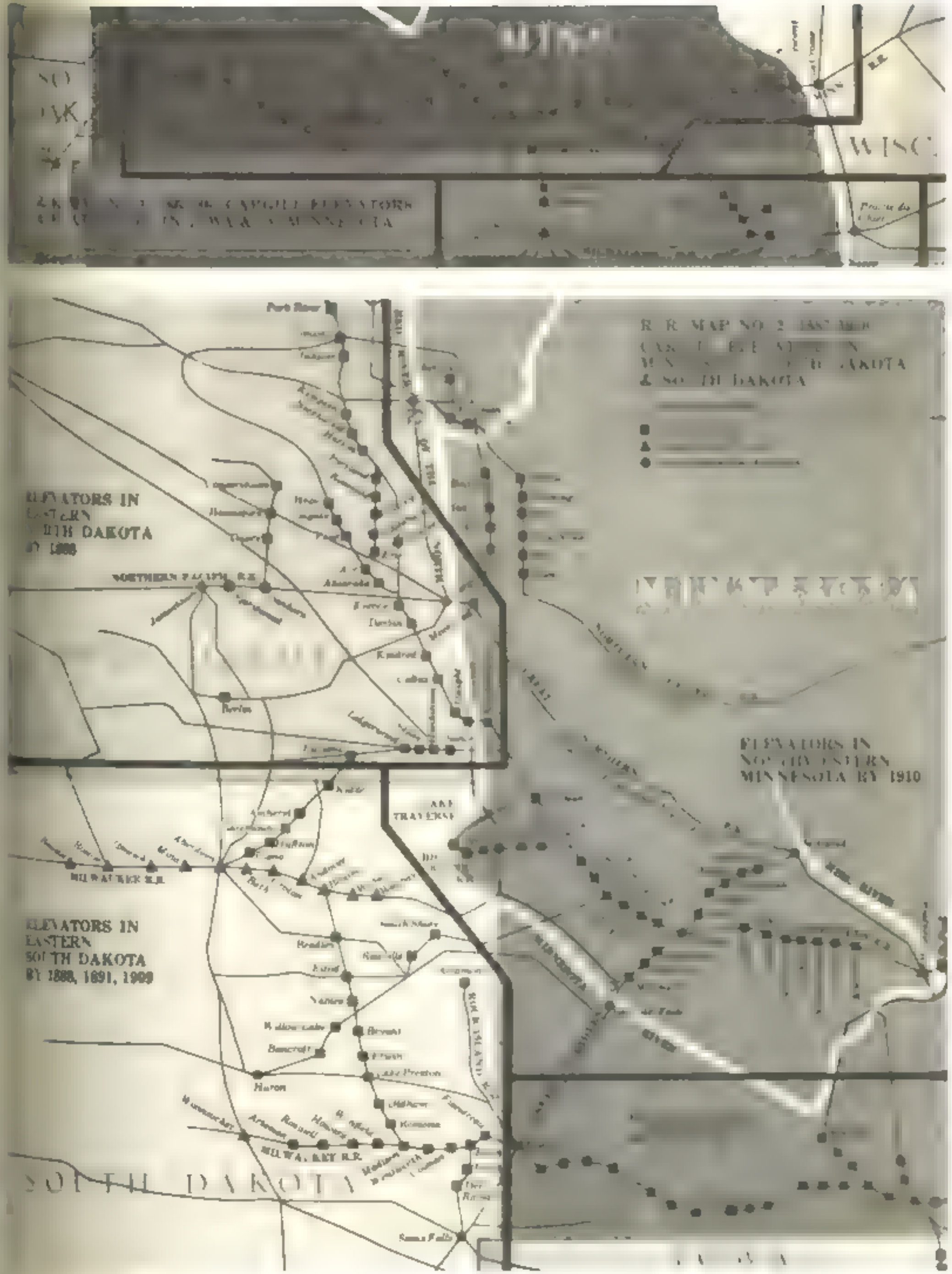
When the 1885 railroad law was passed in the state of Minnesota, one very helpful feature of the *Annual Report of the Railroad and Warehouse Commissioners* for that year was a complete listing of every elevator in the

entire state of Minnesota; the *Saint Paul and Minneapolis Pioneer Press* (the name at that time) picked this up and added all of the Dakota Territory warehouses, too. For the first time, we have a definitive list of all of the Cargill elevators in both areas. It shows both the size of the individual warehouses or elevators and the numbers of competitors and their sizes at the same locations. For the W. W. Cargill & Bro. list, in the "Southern Minnesota District" of the Chicago, Milwaukee & St. Paul Railroad, Will and Sam had elevators or warehouses at 39 locations, a total of 62 separate buildings (of these, 36 were classified only as "warehouses"). At only four of these locations did the company own the only elevator; at 22 of the 39 locations, one of the competitors (often the only one) was Hodges & Hyde. The capacities of all of the southern Minnesota buildings were relatively small—only 16 of these had a capacity of 10,000 bushels or over. Alden, Minnesota, and Howard, South Dakota, had 25,000-bushel elevators. Several of the other South Dakota operations had capacities above 15,000 bushels. The rest, all along the Southern Minnesota line, were very small (and so, too, were the Hodges & Hyde competitor operations).

In contrast, the J. F. Cargill buildings, all in the North Dakota section of the Dakota Territory, were much larger. There were a total of 26 locations by this time, each with one elevator or warehouse (actually, only four were considered to be warehouses). Another 4 of the 26 were below 25,000-bushel capacity; 3 had a capacity of 45,000 bushels, 1 was 40,000 bushels, 5 were 35,000 bushels, and 10 were 30,000 bushels. There were competitors at every location except two, and they also had large capacities. In sum, although Jim Cargill's branch of the business had only started a few years before the published Commission report, he already had a huge capacity, far greater per station than the Southern Minnesota/South Dakota part of the Dakota Territories.[31]

Partnerships with George Bagley

There was a separate Cargill set of entries on this list, under the partnership of "Bagley & Cargill." George C. Bagley was a member of a grain-trading family in eastern Wisconsin; he had lived at Eden, managing that part of the family line running from Milwaukee into Fond du Lac. By 1883, with the Wisconsin farmers' shift out of wheat into livestock, the Bagley grain business was not doing well, either. Robert Eliot, the Milwaukee financier who was bankrolling Will Cargill, also was a friend of the Bagley group; he advised George to sell his line of elevators and buy a line in South Dakota. Bagley did so, moving to Canton, South Dakota, and forming a partnership there, about 1885, with Sylvester Cargill. The firm name was Bagley & Cargill, "Dealers in Grain, Flax Seed, Livestock, Etc." Most of the Bagley & Cargill operations were in that part of the Dakota Territory



Two railroad maps; John Work. Cargill Beginnings.

that later became the northeastern section of South Dakota. Similar to Jim Cargill's larger-capacity operations in the Red River Valley, the Bagley & Cargill's 13 structures at the firm's 10 locations were more substantial (although only one was classified as an elevator). This elevator, at Aberdeen, had a capacity of 25,000 bushels; the Andover warehouse had the same; the Groton operation had an 18,000-bushel capacity and the Bath warehouse, 15,000.

There was one more significant structure in the Bagley & Cargill set—a terminal elevator at Minneapolis, with 100,000-bushel capacity (enlarged in 1886 to 250,000). This was not the largest in Minneapolis—a 1923 history of the city stated that the largest elevator "west of Chicago" was built in 1879 by the Minneapolis Elevator Company "with a capacity of 780,000 bushels and at a cost of $150,000." The 1885 Railroad and Warehouse Report listed total capacity in Minneapolis as 9,834,500 bushels, with an additional 1,560,000 in St. Paul.

To recapitulate: the three Cargill brothers (minus Sylvester by now) owned or controlled some 102 structures in 1885 in Minnesota and Dakota territory, many just warehouses and only one, the Minneapolis operation,

E. R. Buell, Just for Fun: A Port-folio of Cartoons 1915.

a true terminal. The total capacity was just over 1.6 million bushels. In addition, the Cargill group controlled a half dozen small elevators in Wisconsin (including the substantial La Crosse terminal and the leased terminal at Green Bay) and a couple of warehouses in Iowa. The total number of elevators and warehouses in Minnesota and the Dakota Territory was 1,513; total capacity in the country system was 33.5 million bushels. With the Minneapolis and St. Paul totals noted above, plus the 9.4 million bushels at Duluth, the grand total storage capacity of this upper Midwest area was 54,448,900 bushels.

Large numbers of these 1,513 elevators and warehouses were owned by one or another of the nine railroad systems involved, but there were a host of private companies, most smaller than the Cargill group. G. W. Van Dusen & Co. was larger, with almost all of its operations on Chicago & Northwestern trackage (George Van Dusen had started trading grain in 1852, had opened an office in St. Paul in 1881, then moved to Minneapolis in 1887; in 1889, C. M. Harrington and Van Dusen formed Van Dusen-Harrington Co.).

Another firm of size—if one added its operation in other states, it was larger than Cargill—was F. H. Peavey & Company. Frank Peavey started in 1874 in Iowa, and he too moved his headquarters to Minneapolis, in 1884. Many years later (in 1928) Peavey and Van Dusen-Harrington merged, to become the largest grain trading company at that time.

At this point, an important decision about organization structure was made that would turn out to be critical almost three decades later. The three brothers—Will, Sam, and Jim—decided in 1884 to cleanly separate the operations of Will and Sam in Wisconsin and southern Minnesota from the operations of the three of them together in central and northern Minnesota and the Dakota Territory. This was to be accomplished by establishing a separate entity in Minneapolis called "Cargill Brothers." Money moving back and forth between the two entities would be duly recorded in drawing accounts in the requisite set of books, and each of the three would maintain its own accounts in the La Crosse books. While the names of the two companies were quite similar and perhaps confused some people, the grain trade clearly understood that the two were separate legal entities.

The Sylvester Cargill–George Bagley duo lasted only a short time, when Bagley dissociated himself, apparently not amicably, at least according to his wife's memoirs; she wrote, "Ves Cargill [Sylvester] was a partner but George could not put up with his suspicion of all deals and bought him out." No records exist at this point of Sylvester's side of the issue. The separation left Sylvester with the elevators he had before joining Bagley; in October 1889, he organized the Victoria Elevator Company and was its president until his death in 1913.

Again, Robert Eliot intervened, writing Bagley that an opportunity was presenting itself to join the "J. F. Cargill group" (Jim, financed by Will and Sam). This led to the continuation of "Bagley & Cargill." Once again, the Bagley relationship did not stay in place. Jim Cargill, already working in the northern part of the company, became the managing officer for all of the Cargill Bros. efforts, including the relationship to the partnership of Bagley & Cargill. The chemistry between George Bagley and Jim Cargill apparently was not right. In the absence of Jim Cargill's version, we fall back once again on Bagley's wife for her interpretation of the story: "He [Jim Cargill] was put in charge but not very competent. He annoyed George by being suspicious and couldn't trust anyone, even the bookkeeping, without close inspection, so George bought out his interest in the business and the firm was changed to George C. Bagley Elevator Company. He certainly was a happy person when this was taken over."[32]

Just before or just after the termination of the partnership, a serious event occurred involving Jim Cargill. Whether from the pressures of the rapid expansion of the northern businesses or for some other reason, Jim Cargill suffered a nervous breakdown and was forced to step away from management (as the 1945 Cargill history put it, "he was never again strong enough to assume heavy responsibility"). A formal document was drawn on June 17, 1887, buying out Jim's share of Cargill Bros. For the consideration of $41,821, less a set of debts of approximately $6,000, the firm W. W. Cargill & Bro. agreed to assume "all debts of the firm of Cargill Bros." and to take over the operation of the latter. Jim did continue to work for the firm (and to draw a $5,000 salary). The need for a competent chief executive officer for the Minneapolis operations was critical; the decision was made that Sam Cargill would move to Minneapolis to assume this role, which he did in 1887.[33]

In January 1889, a "Bradstreet Co. credit correspondent" stationed in Minneapolis (this was the John M. Bradstreet firm, which merged with Dun in 1933), approached Sam Cargill for information about the La Crosse branch. In response to Sam's query, Will wrote a quick note, summarizing the "permanent accounts, without any encumbrance." Will calculated "about $100,000 cash in the business" and estimated the unencumbered accounts at $517,000.

Apparently something more specific was needed, for later that year, a careful statement of all of the unencumbered accounts at La Crosse was constructed, a rather more conservative figure than Will's off-the-cuff estimate. It read as follows:[34]

54 Elevators & Warehouses in Minn & Dakota	$147,597.16
16 Elevators & Warehouses in Wisc, G Bay RR	18,479.29
Houston Flour Mill & Water Power	40,128 54
Hokah Flour Mill & Water Power	29,384.51
Farm Lands in Minn & Dakota Cost Value	23,112 28
La Crosse City Property (Exclusive of Dwellings)	11,300 00
La Crosse Milling Co. Stock	4,500 00
La Crosse National Bank Stock	12,000 00
La Crosse Abittior [*sic*] Co. Stock	5,000 00
La Crosse Street Car Co. Stock	31,000 00
La Crosse Opera House Stock	2,000.00
Sault Ste. Marie Land Co. Stock	42,500 00
Sault Ste. Marie Water Power Co. Stock	44,000 00
Sault Ste Marie Water Power Co. Bonds	14,000 00
Long Prairie Warehouse & Fixtures	2,294 93
	$427,296.71

This was just the La Crosse operations, not a consolidated statement. The Minneapolis operations would have totaled close to this figure, too, although we cannot be certain, as no records survive for that period. Nor did this cover W. W.'s own personal investments, which included cattle operations, a coal mine, gold mine stocks, and many other non-grain endeavors. Even discounting Will Cargill's optimistic, often-inflated financial dreams, this is an impressive total for a man in his mid-forties, in business for just 25 years, many of which were not propitious for economic development. At 1889 prices, Will Cargill and his brothers had amassed quite a fortune and in the process had become significant change agents in the grain trade of the Northwest.

PART TWO

GENESIS OF THE MODERN CORPORATION, 1890-1915

A yard crew of the Minneapolis-based Liberty Lumber Company, c. 1910.

Green Bay, Wisconsin
(courtesy of Manitowoc Maritime Museum)

CHAPTER TWO

Two Families Link

Management and organization became critically important for W. W. Cargill in the 1890s and early 1900s, not only for his La Crosse and Minneapolis businesses but also for a totally different endeavor, a lumbering operation. As the key managers were to come from the families, an understanding of these familial groupings will be helpful to the reader.

Marriages often bring about business partnerships. This happened for W. W. Cargill. The other family name, McMillan (later MacMillan) has been linked with Cargill in the grain trade down to the present, a lasting bond through five generations. This relationship is the central story of this book.

Like the Cargills, the McMillans were Scots. Alexander McMillan and his older brother John, 2 of 12 children of Duncan Ban McMillan, had come to La Crosse in 1852 by way of Canada, where the family had emigrated from Scotland. The two brothers formed a lumbering business that later produced highly satisfactory returns. Alexander also set himself up as a blacksmith. After three years the logging enterprise began to grow, and he went with John full-time. Another brother, Ewen Hugh, joined them in 1856 and a fourth, Duncan D., in 1859.

The business success of these four brothers and their public-spiritedness soon put them among the leaders of the town of La Crosse. All four were involved in their logging business, but Hugh (as he was known) and Duncan also became lawyers. Alexander and John were central figures in the Black River Logging Association, an industry entity particularly involved in policing the annual log drive. Both also took roles with Duncan in the Black River Improvement Company, a group concerned with upgrading that river and its environs. John died in 1865; and Alexander and Duncan carried on the family logging business. These two expanded into other major La Crosse businesses. In a particularly important step, they bought controlling interest in the La Crosse Gas Light Company in 1869, just at

the point when gaslights were first used in the city for street illumination. The firm also sold "coke, coal, tar, lime and tar sidewalks." John had been an alderman in La Crosse and Hugh its district attorney. Alexander had moved through alderman and county board of supervision to mayor in 1871 and then to the state legislature a year later. Alexander and Duncan were directors of the First National Bank of La Crosse, and a large flour mill was also controlled by Alexander. By the time the Dun correspondent picked them up in 1873 (as controlling owners of the gas company), he was full of praise. Noting that they were also in the logging business, he considered them "flourishing . . . strong . . . all right," conducting "money making institutions" and even having "elegant homesteads." There was no doubt where R. G. Dun & Co. stood in regard to the brothers and, for that matter, how the town felt about them.

Duncan McMillan's "elegant homestead" provided a key locational impetus for a matrimonial link, for it lay across the street from the equally elegant home of Will and Ellen Cargill. The latter's children—William, Edna, Emma and Austen—grew up and played together with Duncan and Mary Jane (McCrea) McMillan's children—brothers John Hugh, William Duncan and Daniel D., and sisters Mary Isabella, Janet and Elizabeth. So it was not surprising that Edna Cargill, second child and oldest daughter (born 1871) of Will and Ellen, and John MacMillan (he and his brothers began to spell their last names with the "Mac"), oldest son (born 1869) of Duncan and Mary Jane, would later marry (February 6, 1895). Before this event, on May 26, 1892, William Samuel Cargill married a McMillan cousin, May, daughter of Duncan's nephew, George McMillan, providing the first Cargill/MacMillan tie.[1]

It will be helpful for the reader to note here the members of these two families who continued to be involved in this grain-trading saga first instituted by W. W. Cargill in 1865. This book centers on two groups within these two extensive families:

1. W. W. Cargill, *three* of his brothers (Sam D., Sylvester S. and James F.) and *all* of his four children (William S., Edna, Emma and Austen S.). W. W.'s firstborn was called Will, as his father had been (the latter was also "Billy" back in Conover, and some of his friends continued this nickname). To prevent confusion for the reader, we will from this point call William Wallace Cargill (the founder) W. W., and his son William will be Will.
2. John H. MacMillan ("John Sr."), his two adult brothers (Daniel D. and William D.), his wife Edna Cargill MacMillan, *both* of their two sons, John H., Jr. and Cargill, and his cousin, John D. McMillan.

The two young men who had married into the other family, Will Cargill and John H. MacMillan, were the same age (both born in 1869) and were destined to have a close and eventually rancorous relationship when the W. W. Cargill business empire began to pull apart in 1909. Our interests for the moment, however, are with the budding business career of John H. MacMillan, Sr.

John Sr. began working at age 15 as a trainee in his father's State Bank of La Crosse and received a thorough grounding in finance. In his own words, "I had to give up school but I kept on studying and I think I have the equal of a college education finally." These words "had to" seem to imply some constraint against John's going on to college, but his next younger brother William did become a college graduate (at Fort Worth University). The first tie to John Sr.'s business career that can be linked to contemporary documents is in a letter from his father to MacMillan in August 1888. John Sr. had gone to Minneapolis in 1884 at age 15 for a clerk's job with his first cousin, John D. McMillan, of the grain firm of Osborne McMillan (again, the "Mc" spelling). After John Sr. had been there for a few weeks, his father wrote him an important letter, elaborating in considerable detail his (the father's) philosophy of business. He particularly stressed two requirements, accuracy and rapid work, to be accomplished with careful penmanship: "I have no idea that you will have any trouble with your book keeping—always keep in view to do your work rapidly and accurately. Both will come to you with practice if you keep the fact in mind and work as rapidly as possible." John Sr. was urged to watch his colleagues: "The great thing is to get the idea of how rapidly it ought to be done, then you will soon work up to it. It is like counting money in the Bank." Later the father came back to the theme of rapidity: "Your work will always be easier on you if you do it rapidly, and when you are first starting in learn to work rapidly and accurately and you will give better satisfaction, but above all let your work be thorough & accurate, but that is not inconsistent with speed."

The father then turned to the question of penmanship and the need to "keep your book tidy and clean." He recommended to the younger MacMillan that the latter use a special pen, the "Gillotts 303"—"your book will look nicer and cleaner than with any other pen . . . if you get acquainted with a boy that is an extra good penman practice penmanship with him, you have no idea how quickly you will improve in that way."

In June 1891, a fateful venture was initiated: John Sr. and his two brothers, William D. and Daniel D., went to Fort Worth, Texas, to go into the grain business for themselves, particularly to trade in the winter wheat of the region. John was just 22, William was 20, and Daniel was 18. Already, William had had a year of experience with the Union Pacific Railroad at its Omaha office, and Dan had worked for W. W. Cargill for two years. The three had been set up in this business by their father; the name of the firm was D. D. McMillan & Sons (the printed letterhead for this period still using the spelling "Mc").[2] The *Fort Worth Gazette*, in June 1891, noted the firm's "strong financial backing," mentioned Duncan McMillan's banking

position in La Crosse, and commented: "all the gentlemen are experienced wheat men."

The magnet that had drawn them was the promise of the Texas Panhandle. The Fort Worth & Denver City Railroad (FW&DC), which headed northwest from Fort Worth, had completed its link through the Panhandle in 1888 and had begun to push colonization with every possible public relations tool. The Panhandle was "a new agricultural empire of vast extent" and was the only large area of unoccupied lands with "unquestioned fertility." Credit was so easy, said a railroad brochure, that land was within reach of "the humblest son of toil." Jason Easton, for one, was already engaged by 1890 in cattle ranching near Amarillo.

The champion booster of Fort Worth and the Panhandle, however, was B. B. Paddock. Earlier, he had been editor of the *Fort Worth Democrat* (1873–1884). He then began promoting new railroads and subsequently became president of the Texas Spring Palace (built in 1889 as a fairgrounds for touting immigration). The gaudy Palace burned the next year, but Paddock, unfazed, continued to push Fort Worth as the first president of the Board of Trade, set up in 1889 specifically to search nationally for new businesses for Fort Worth. He was a four-term mayor of Fort Worth, from 1892 to 1900. One of Paddock's preferred cities for this effort was Chicago, and he set up excursions to bring men from that city to Fort Worth, to sell them on the spot. The midwestern business community, indeed the whole country's, was small enough that men of influence tended to know each other quite well. They met one other at the spas, in the financial centers and in their travels. Early contacts between W. W. Cargill and Paddock subsequently led them into joint ventures on another proposed Texas railroad. So they likely had met in the time of Paddock's Board of Trade term; perhaps W.W. even had gone to Fort Worth on one of the excursions. A reasonable guess as to why the MacMillans became interested in Fort Worth is the link through W. W. back to Paddock.

The MacMillans, caught up in the enthusiasm, began to establish elevators in 1891 and 1892 along the right-of-way of the FW & DC as well as the Wichita Valley (WV) railroad, and also obtained leased space in the "Mark Evans" terminal in Fort Worth. The FW&DC headed northwest from Fort Worth through Wichita Falls and on to the New Mexico line. The WV was a feeder from Seymour, Texas, northward to Wichita Falls. A huge crop was expected in 1891, and the newspaper commented, "D. D. McMillan & Sons of La Crosse, Wis., have appointed their wheat buyers and agents at points along the Denver, and will be ready to begin operations here as soon as wheat begins to move. They find that it is impossible to get adequate storage facilities anywhere in Texas, . . . will have to ship their wheat to St. Louis or Chicago to the great elevators there until several ship loads have accumulated . . . they will be buying continually."[3]

As this project was being mounted, major changes also were occurring in the grain-trading world. The following is necessary background for further analysis of the MacMillans' Texas venture.

Wheat Prices Sag

After the general rise in wheat prices in the late 1870s and on into 1881, there was a steady decline from 1882 through 1887, a slight rally in 1888 and 1889, a fall in 1890, another small blip upward in 1891, and then a sharp decrease over the next half dozen years. All of this came in the face of rising farmer expectations about the quality of their lives. With considerable quantities of United States wheat destined for export (for example, some 157 million bushels of American wheat was exported in 1892, up from an average 64 million in the five years previous), the country now felt the breath of competition from the "fellahs of Egypt," the "ryots of India,"

Texas Spring Palace invitation, May–June 1889 (courtesy Special Collections Division, The University of Texas at Arlington Libraries, Arlington, Texas).

and the "peasants of Russia" (so wrote the militant St. Paul newspaper, *Great West*). Argentina, which had not even appeared in a government survey of wheat-exporting countries in 1884, became a significant force in the 1890s. In spite of declining yields in many places because of monoculture, poor cultivation, "intemperance and laziness," etc., the farmer strove for larger total production. Yet it seemed to many that the only way to change the equation was through political power.

In the early 1890s, a second strong wave of agrarian discontent emerged, this time far more class-conscious than the Grangers had been in the 1870s. By that time the whole country had awakened to the threat of the "trusts." There were oil trusts, sugar trusts, beef trusts, lead trusts, barbed-wire trusts—and wheat trusts. New federal legislation also was in place—the Interstate Commerce Act in 1887, the Sherman Antitrust Act in 1890, neither, however, yet well tested in the courts.

The newspaper *Great West* was particularly exercised about the spread between producer and consumer prices in wheat. In 1890, the editors stirred up a vitriolic controversy about the difference between the price at Crookston, Minnesota, in the Red River Valley and at Liverpool, England. They alleged that this difference was 54 cents per bushel, with transportation costs only 20 cents of this. Henrietta Larson concluded that while the Duluth–Liverpool leg appeared very close to actual marketing cost, in the Crookston–Duluth arm "there was a considerable difference which cannot be accounted for by legitimate costs."[4]

The farmers contended that there was collusion in the countryside and that railroads and large line elevator companies had "sweetheart" arrangements that precluded smaller warehousemen and cooperatives, let alone the "scoopers," from having any entry and exerting any competitive thrust. The latter, very mobile, were difficult to counter. W. W. Cargill, when asked in a 1906 hearing before the Interstate Commerce Commission (ICC), "Do you try to keep them from finding a market?" replied, "No, that can not be done."

There were ample reasons why the larger warehousemen became so powerful. Henrietta Larson explained: "The wheat men of Minneapolis were highly selected . . . their ability was unusually high . . . having established their reputation for business integrity, they were able to get loans on low terms . . . to carry on an enormous business on relatively small capital." This gave them a certain measure of monopoly, "of which they were willing to avail themselves, ***after the manner of the time***" (my emphasis). W. W. Cargill, asked at the same 1906 ICC hearing why two railroads in Wisconsin were willing to lease him elevators at a nominal cost, replied, "to have an elevator operated by a reliable party." It was an answer that most larger-scale businessmen would have understood.[5]

The revolution in agricultural machinery in the second half of the nineteenth century had brought increased elevator and terminal innovation: effective cleaning equipment, more rapid loading and unloading devices, and stronger fireproof structures. Insurance costs had been driven up with the larger wooden structures, so Frank Peavey decided in 1899 to try concrete (warehousemen in Denmark and Romania already had used concrete with success). In Minneapolis, he built a huge cylindrical tank, some 80 feet high, with steel hoops for reinforcement. "We have filled it full," Peavey wrote a friend, "and it stands like a rock. The pressure don't require over 200 lbs. to the square inch, while we have tested the cement and it will stand 600 lbs." Most grain men felt wood was a necessity because of its "give," and the newfangled monster was dubbed "Peavey's Folly." But the unusual experiment worked very well, leading even the *New York Times* to comment favorably on it. Concrete soon began to rival wood, and fire dangers were greatly lessened.

With improved equipment and facilities, storage itself became more important to warehousemen, merchandising profits from trading less so. Margins dropped sharply in the 1890s; Frank Peavey reported in 1901 that, while his margins for buying wheat had been 4½ to 5 cents 15 years before, it was "today a scant 2½ cents per bushel." Also, 15 years earlier "we were charging 1½ cents per bushel for handling grain through our house in Duluth, and 1 cent per bushel per month for storage." In 1901, he continued, handling charges were ½ cent, and storage costs the same (per month).

Margins were indeed small, but a warehouseman holding millions of bushels could make a considerable return despite falling grain prices. *Great West* editors and others constantly stressed the high profits of the warehousemen. One of the leaders of the Minneapolis elevator community had written a French banking concern in 1889 that the largest terminal organization in the city had averaged 30 percent on its capital for six years, that another had made 40 percent for several years, and that the prominent trader G. W. Van Dusen had made even more. *Great West* somehow obtained copies of that correspondence in February 1891 and laid all of it over the pages of that newspaper. Cargill, Peavey, and Van Dusen were among the 13 companies listed in the article (most of the other elevators were owned by railroads). The editors admitted that "even one of the largest Mercantile Agencies in the world cannot determine the profits." But the warehousemen, they alleged, were making huge profits.

By this time the "evils" of speculation on the commodity exchanges, especially the Chicago Board of Trade, were also incessantly criticized. *Great West* ran a series of articles in the summer of 1891 on what they called "options gambling." Speculators were accused of driving down prices by using futures markets to sell short, then manipulating bad news for a drop in price. Farmers said the speculators were selling only "wind" wheat. By

this time, as agricultural historian Morton Rothstein wrote, "most of the men who headed grain marketing firms made it a cardinal rule to avoid speculation or risk on price changes whenever possible." The speculator, as a market maker, was said to be providing, by his high volume of trades, a liquidity for the other users of the market, especially the hedgers. But in order to make effective hedging possible, a liquid market *was* a necessity.

Were the exchanges just promoting "gambling"? The Supreme Court chose to adjudicate this critical question, in two key decisions in 1905. In one, a "bucket shop"* proprietor had been denied quotations from the Chicago Board of Trade and had sued, alleging that because many of the trades on the exchange were not for business purposes (i.e., for physical delivery of product), the exchange was in reality just allowing gambling. The lower court essentially bought this argument, but the Supreme Court disagreed. In a famous majority opinion, Justice Oliver Wendell Holmes noted that, while "success of the strong induces imitation by the weak" and incompetent traders often brought themselves "to ruin" by speculation, nevertheless, this speculation was "the self-adjustment of society to the probable." Indeed, delivery was not an essential ingredient, for "the set off has all the effects of delivery." Thus, the Supreme Court not only dismissed the gambling accusation but also affirmed specifically that futures trading itself was legitimate.

Farmer groups in the late 1880s provided the raw material for the People's Party, the "Populists," who came on the scene all over the South and West, preaching free coinage of silver, government ownership of transportation, and a host of other changes. Ignatius Donnelly was their candidate—unsucessful—for governor of Minnesota in 1892, and they also put forth a third-party candidate for president in that year (he came in third). By 1893, the tide of protest out of the farming areas of the country was substantial.[6]

It was at this high tide of hostility that *Great West* chose to attack Cargill directly. In a long front-page article in its July 23, 1893, issue, the editors featured "another interesting exposure of the way the thing is done by the grain ring . . . startling letters brought to light . . . secured by the mail of a wheat buyer going astray and falling into the hands [of *Great West*]." In fulsome detail, the paper reprinted four Cargill Commission Company letters to a South Dakota agent. (That company was the trading arm of the

*A bucket shop was a private "commission" house, buying and selling futures on a margin for gamblers, where there was no intention of actual future delivery and no purchase or sale on any exchange (i.e., "bucket" the transaction). See *Report of the Federal Trade Commission on the Grain Trade*, vol. 2, (September 15, 1920), pp. 332–33. Longer hours were kept, and small lots could be purchased. "Any person with a few dollars to spend . . . could patronize them [using] the quotations purely in a gambling sense" (Jonathan Lurie, *The Chicago Board of Trade, 1859–1905: The Dynamics of Self-Regulation* [Urbana: University of Illinois Press, 1979], p. 76).

W. W. Cargill organization.) Two of the letters laid out instructions for the agent, while the other two reported on the condition of the grain in several carload shipments of wheat. "Am sorry you are not going to have good grade to handle," the Cargill employee wrote the dealer, "the boys will have to mix and can make grades and good money on such a crop if can get them started right so as not to give it all away." The *Great West* editors insinuated from the shipping letters that Cargill was buying at "#1 Northern," a second grade, and selling at "#1 Hard," the top grade. However, this seemed mostly to reflect that elevators could use the mixing process to upgrade shipments, certainly not a novel conclusion. Nothing further ensued on the story, but Cargill received some notoriety.

Cargill Incorporates

After having run his businesses as partnerships for 25 years, W. W. Cargill decided to incorporate. Limited liability would have made this attractive, and he may have wished to draw in additional capital. In March 1890, the Minneapolis operations under brother Sam, Cargill Bros., was incorporated as "Cargill Elevator Company," and in July 1892, plans were made for incorporating the La Crosse business, W. W. Cargill & Bro., as "W. W. Cargill Company." Each had capital stock of $350,000. An appendix in the Elevator Company's Articles of Incorporation lists 71 elevators and 28 coal sheds (up substantially from the 1885 list mentioned in chapter 1). The total elevator capacity was just over 1.7 million bushels; the small 250,000-bushel terminal in Minneapolis gave at least a foothold in that important market. For the La Crosse operation, there were 16 elevators and 50-odd warehouses (depending on how one measured a "double warehouse"); in addition, there were the Hokah and Houston flour mills. The La Crosse elevator and the two mills accounted for 40 percent of the total capitalization.

For the La Crosse operation, the records for the decade of the 1890s are skimpy. A few letters of Sam Cargill are extant from the Minneapolis operation and help to paint a picture of a personality sharply different from that of his older brother. If W. W. Cargill was often vague, Sam was a marvel of exactness. In an interesting letter in 1891, he explained the concept of hedging to a North Dakota dealer: "Whatever cash wheat you deliver . . . No. 2 or No. 3 or No. 1, we will if you wish apply the wheat on this sale, but give you the premium that cash brings before the December option. This is just the same as selling the wheat at a higher price for cash. The hedges or protection are just the same. Whatever the cash wheat brings over the December option we give you the benefit of."

In another S. D. Cargill letter in 1891 he described the shifting ("rolling over") of hedges from one contract period to another: "they had quite a

Elevator T, Minneapolis, c. 1905, prior to purchase by Cargill.

blockade of vessels at the 'Soo'—there has been a vessel across the channel for a week blockading navigation. These vessels will be in Duluth the middle or last of this week and they may bid up pretty strong for cash wheat . . . it would be well for us to get our October wheat out of Duluth and get it into Dec. so we would not be compelled, if we had to buy our October in, to pay any premium just on account of this blockade." There was a problem with high moisture in wheat at this time, and Sam urged the dealer, "wrestle it over in the elevator two or three times, clean it if necessary, flow it through the mill . . . see if he cannot make it a little better."

In 1892, Sam Cargill opened an office in Duluth, establishing at that time a new entity under the umbrella of the Cargill Elevator Company, called the Cargill Commission Company, to trade grain on the Duluth exchange. Fred Lindahl was sent there as its head. Times were good for both the Minneapolis and Duluth operations. Cargill Elevator declared a healthy 37 percent dividend (on the capital stock) in 1892 and used additional resources to construct a terminal in Duluth. Again another separate company was formed to manage it, the Superior Terminal Elevator Company, with W. W. Cargill taking a two-thirds interest and Sam one-third. The 1945 Cargill history told the story that Sam "went to Barnett and

Elevators K and M, Duluth-Superior, before the Cargill purchase of M in 1914.

Cargill's Elevator T, c. 1929.

Main Street, Fort Worth, Texas, c. 1889 (photographer unknown; 73 93/9; courtesy Amon Carter Museum, Forth Worth, Texas)

Record [who] had recently completed an elevator for Mr. Harrington [of the Van Dusen-Harrington Co.] on the site adjoining Cargill . . . when they asked what kind of an elevator he wanted, he told them that what was good enough for Albert Harrington was good enough for him, and to go ahead and build . . . exactly like the one they just completed." In 1893, Ed McManus was named its superintendent and became the dean of company terminal managers over a career that continued into the early 1930s. Years later (in 1914), Cargill bought the Harrington elevator too, and they became known as Elevators K and M.

The importance of the town of Sault Sainte Marie, known as the Soo, was already well known in the grain trade for its locks between Lake Superior and Lake Huron. The first was built in 1855, with improvements in 1881, 1895, 1914, 1943 and 1969. The town and the locks got a big boost in the mid-1880s when the Minneapolis, Sault Ste. Marie & Atlantic Railway—the Soo line—connected Minneapolis with the Soo and met a Canadian Pacific branch built east from Sudbury, Ontario. Now grain could be shipped directly to lakers (vessels plying only the Great Lakes), standing ready on Lake Huron, or sent by rail eastward through Canada.

With the town a linchpin for all of this transportation activity, W. W. Cargill was persuaded to invest in property there. In 1887, he formed a consortium of businessmen, most of them from La Crosse but including, in a major way, Robert Eliot from Milwaukee; they joined together as the

Sault Ste. Marie Land Co., known widely as the La Crosse Syndicate. The operation had indifferent success, however, and was later liquidated, some parts of their property not being sold until the 1930s.[7]

Doom for the MacMillans' Texas Endeavor

One of the century's most painful depressions, rivaling that of 1873–1878, began with the "Panic of 1893." The British banking house of Baring Bros. had failed in late 1890. Fears among British investors pushed them to unload a number of their American securities holdings, causing an ensuing gold drain from the United States. This became severe in the first part of 1893. On May 5, the stocks on the New York Stock Exchange dropped suddenly, and there was an enormous crash in late June. By the end of that year some 491 banks and over 15,000 other businesses had failed. The depression that followed was severe and lasted through 1897. It was a time when fledgling businesses like that of the three young MacMillan brothers would experience great danger.

D. D. McMillan & Sons had had a good start in 1891, for that year had seen a crop failure in Europe causing good West Texas and other United States wheat prices. But the same visitation came to Texas the next year, with low rainfall and persisting dry winds bringing severe drought. The

Land agency, corner of Lancaster and Main streets, Fort Worth, Texas, n.d. (photographer unknown; 73.67/15, courtesy Amon Carter Museum, Fort Worth, Texas)

farmers responded once again with renewed efforts to heighten production. The 1893 harvest appeared to be promising, as reported in the MacMillan family history, *MacGhillemhaoil*: "Conservative estimates pegged the coming crop at 7,500,000 bushels, worth at least $3,750,000 to the growers and $300,000 to the commission men." The firm now had "not less than twelve elevators," said the *Fort Worth Gazette*, and were building two new structures, at Henrietta and Seymour. A Galveston office had been opened for expected large export shipments. Already, Will MacMillan told the *Gazette* in November, the firm had shipped 100,000 bushels into export channels. But, he complained, "the Panhandle wheat is above the exporting grade, and we cannot afford to pay prices that mills pay."

Then the Panic hit. Money became extremely short, and businesses in the Panhandle began to fail. The FW & DC railroad itself was thrown into receivership. Then came the grasshoppers, "as far as the eye could see." Finally, the heavens turned against the region, for an unremitting drought at the key moments for the remaining plants resulted in an almost total failure of the 1893 wheat crop.

The MacMillan brothers held on, with considerable financial aid from the La Crosse firm, Hixon & Warner. (Frank Hixon, one of the members of this firm, was later to be very influential as an outside board member of Cargill Elevator Company.) The brothers were buying mainly wheat and oats and a smattering of corn and were finding business very slow. Consignment wheat was also handled, and they began to mix to the export grade. (They paid the Hixon firm 1/4 cent a bushel commission on all of their sales.) Although John Sr. reported that their own business had not perked up very much, he felt it necessary to justify to his backers his hand-to-mouth borrowing: "We cannot afford, as you can easily see, to carry a big balance as well as to pay you a commission on all we buy. In fact the great advantage to a grain man in making this kind of an arrangement is to use money just as he may need it and you will find that we have been no different than any other grain firm would have been."

To make matters worse, John Sr. had indications that his future father-in-law, W. W. Cargill, was not himself weathering the depression very well. Indeed, had MacMillan been privy to some "private & confidential" letters that Robert Eliot was writing to W. W., he would have been even more disturbed. W. W. owed Eliot money, and in late 1894, Eliot wrote him about his precarious financial condition. He worried about W. W.'s bullishness at this sensitive time: "You carry too much at stations & eat yourself up with interest." Eliot commented, tartly, "It seems to us that you must be self-delusive as to the profits you claim to be making."[8]

By December 1894, there were further signs of trouble for the MacMillans. The 1894 crop once more was drought-damaged, the third year

"A Flurry in Wheat," Harper's Weekly, *October 1880* (courtesy Historical Pictures Service)

running. Again there were grasshoppers infesting the fields. Finally, the National Bank of Merrill, Wisconsin, one of the Wisconsin banks Hixon had used in the financing, refused to renew the line of credit until the MacMillans cleared up some of their notes (the bank pleading "home demand" for funds as the reason for its adamant stand).

Meanwhile, John Sr. and Edna's plans advanced. The wedding was to be in February 1895 (despite the worsening depression), and John's letters were filled with plans and waxing enthusiastic about the dwelling that he was having built in Fort Worth as their home: "I can't, though, get over the house that seems too elegant for any use. That parlor will be a perfect picture and our library will be just simply perfection. How we will enjoy living in that room . . . you will find it hard work ever to drag me out of it." The wedding took place on schedule on February 6, 1895, and the two moved into their home in Fort Worth. At the end of that year, Edna gave birth to their first child, John H., Jr.

By the year 1896, the effects of the Panic had taken full hold on D. D. McMillan & Sons. The firm had tendered Hixon a rudimentary profit-and-

loss statement back on March 1, 1895, covering the previous nine months. They had bought some 364,000 bushels of wheat in the range of 50 cents a bushel, an outlay of $182,000; oat purchases totaled 320,000 bushels at a cost of $52,000. However, they had sold only $64,000 of their holdings. MacMillan figured they had made $27,000 "net profit," but this was an oversimplified single-entry calculation. Their inventory of stored grain was hard to move, because of both sagging prices and difficulties in obtaining rail cars. There was little grain to buy in Texas, yet the visible supply nationally had risen to 46.7 million bushels by August 1896, up from 38.5 million at the same time the previous year. Wheat prices were about 64 cents at this point. The depression of 1893–1897 was then at its worst, with the wholesale price index for farm products at its lowest ebb—lower, relatively, than it would be even many years later in the Great Depression of the 1930s. Soon they were in an impossible cash flow bind and fell more and more behind with Hixon.

Edna had returned to La Crosse after the birth of John, Jr., and was still there because the baby was ill. John Sr. wrote in September 1896, morosely: "If it were not for our baby, I would begin to think our marriage a snare and a delusion. I don't see that I get a bit of good out of you now, more than two years ago. I got your letters then, I get them now. I didn't see anything of you then, I see nothing of you now." Evidently father-in-law W. W. Cargill had talked of the possibility of a Green Bay job for John, who wrote Edna, "one moment I long to be able to take it, the next I will hope it won't be necessary, but on the whole I guess I really want to take it, though, of course, I don't want to give this up down here and I am afraid I can't take that position without us giving up."

Edna must have chastised John Sr. in an earlier letter, for he continued,

> I never intended what you evidently understood. I don't think there is anything degrading in working for another. What hurt was the idea of failure—failure to make a success of what I managed and the idea that would almost necessarily follow, that I was unworthy of the position I had occupied and that henceforth I would find my level in carrying out what others directed instead of others carrying out what I directed. Don't for a moment think I think that of myself. Thank goodness I have too much conceit and self-respect—I don't know which—to rate myself in that class, but it is galling to have others feel that way and to feel that it will take years of hard work to again command the respect and confidence that I had or will have lost.

He continued about the business itself:

> I dread the idea of having nothing to do—to see business dropping off day by day is awful. We have quit running the elevator here at night and I suppose it is only a question of time until we will have to quit daytimes too. To see this all coming on and knowing so well what comes after makes one wish he had never seen Texas or ever heard of finances and business etc. I can see plainly enough why Will [John Sr.'s brother, not W. S. Cargill] wants to give up business life and become a student and a scholar. Very often I wish I could do the same. For five years and over, we have known nothing but failure. Never have we experienced the joys of independence but all the time this dark and dismal cloud has been hanging around us, sometimes apparently retreating but all the time gaining steadily in power until once more it seems about to strike and to shatter and to level to earth all our fond hopes, all our proud desires, all our ambitions.

Yet John Sr. knew that he had the instincts for business:

> I am different from Will   I am conscious of or at least have a feeling that I have financial and business ability . . . my character is broadening and hardening under such a stress of experience . . . my judgment is growing keener and my powers of observation and reason stronger and that the day will yet come when all I have suffered will prove a powerful lever to aid in ultimate success. Someone I believe has said that the ultimate road to success is through failure and I am now ready to believe it. My former ideas were based on what I was taught and what I observed during periods of unbounded prosperity but they had not experienced the disasters of panics and financial depression. I see now the ideas were wrong. I see principles that I never dreamed of before and moreover principles I never heard of in all that I have read and all that I have experienced before.

Now skeptical about the grain trade, his remarks were prescient:

> Do you know, Edna, it makes me feel perfectly awful that you are so dependent for happiness on the wheat market. It seems to me your father's actions in holding on to so much is really frightful. To me it dictates certain ruin in the end, for I believe that one of these days and that too very shortly we are going to see another big slump . . . the market cannot stay where it is. It will either advance or it will drop and with the Spring crop about to move I cannot see how it can advance with money in such fearful shape. I don't want to preach pessimism but I do want to preach safety. Why doesn't your father sell off enough to be able to margin down to 50 cents if necessary.

In his letter two days later (which is the last view of this period), John Sr. continued in the same vein:

> I am almost getting afraid of myself. For the past ten days or two weeks it has just seemed as though I was standing all I could bear and a little more. I think it is your father's troubles that are responsible for the present state of my mind . . . your father has so many notes he can't meet. . . . His affairs worry me as much as our own. I don't know why, but they do. I seem to be getting to a point where I can't throw worry off my mind. I have felt all day that horrid choking feeling that one does at times. I have really lost for the time being the power of feeling any enjoyment and I am so nervous and irritable that I am ashamed of myself.

(Medical records in 1932 suggest that John Sr. had "several" nervous breakdowns at this point.)

The business situation had continued to deteriorate, with money very short. To make matters worse—if that were possible—the 1895 crop had

failed entirely. Richard Overton, the historian of the FW&DC railroad commented, "farmers in many counties, relying on a normal harvest, had neglected to raise seed." John Sr. wrote Edna:

> What worries me the most just now is that we have $10,000 due in Chicago the latter part of this month and first of next. I feel certain they will demand payment and then we will have nothing. That is all the money we have. Business has fallen off to nothing. We are buying no wheat and consequently making nothing and putting everything together grinds the very life out of one. I have lost all hope. I can see nothing bright ahead. Everything has turned out as I predicted to father a year ago, unless he could then arrange for money. We not only got none but had had to continually pay up ever since. I can't see any promise for money.

The only hope that John Sr. saw was "trying to work up a cement business," but he worried that it would "mean nothing but expense for some time to come." This poignant letter continued with long passages of homesickness: he missed his wife and needed her there.[9]

"It was almost inconceivable," Richard Overton continued, "that the spring of 1896 could bring a repetition of the hard times . . . yet such was the case. Up until three weeks before harvest time, prospects were unusually bright. Then dry, hot winds cut down wheat yields to under five bushels per acre and completely burned up corn and oats." By late 1896, the MacMillan Texas operation was defunct. All of the brothers left Texas to return to La Crosse. Their father, heavily in debt from the losses, gave up his presidency and directorship of the State Bank and moved out of his splendid home across the street from W. W. Cargill and into the much more modest La Crosse dwelling of his son-in-law, John Rowles, on 6th Street. Will Cargill, W. W.'s son and John Sr.'s contemporary, later moved into the vacated house. In an agreement signed by D. D. McMillan and his three sons on December 1, 1896, with three trustees representing their creditors (one of those trustees was W. W. Cargill), all of the Texas property of D. D. McMillan & Sons, plus properties in La Crosse owned personally by Duncan D. and his brother Alexander, were deeded to the trustees for the debts. Only this agreement itself survives; we do not know what monies the MacMillans, father and sons, were able to reserve for themselves. The family history, *MacGhillemhaoil*, puts it starkly: "Personally, Duncan D. and his brother Alexander McMillan were utterly and completely ruined." While there was no formal bankruptcy, the story is clear—the MacMillans had gone under with their grain business.[10]

There is an important, puzzling dimension of this Texas story. According to the Cargill history written in 1945, the three brothers had left Texas "after the Leiter corner, at which time their hedges were in the Chicago market." (In fact, it was an *aborted* corner). Actually, they were gone by the time of this famous futures market scandal in 1897. Still, there may have been a cause–effect relationship present in 1896, in the early stages of

The McMillan Building, La Crosse, Wisconsin, 1888
(courtesy Area Research Center, UW–La Crosse)

the corner. John Sr.'s brief mention of the bill that was "due in Chicago" gives credence to an inference that they were utilizing the commodity futures market in Chicago. Whatever the relationship, the distance from Texas and the time lag were baffling. The Leiter corner was indeed a spot where a number of unknowing people were badly hurt, and it seems evident that the MacMillans were somehow caught in its web, too.

The corner always has been one of the most spectacular of the grain trade's many flamboyant competitive maneuvers. If holders of grain commanded enough of the available supply to permit manipulation of the price, they could force the price up for buyers needing that grain. A formal futures market came into being at the Chicago Board of Trade in 1865, making cornering at the same time more complex and in certain ways easier to accomplish. Under uniform provisions prescribed by the CBOT,

futures contracts could be made between buyers (the "longs") and sellers (the "shorts"). These contracts were defined as a required amount of standardized grades of grain (for example, 5,000 bushels of a certain grade of wheat). Each contract would have a termination date (for example, there was a May wheat contract, a separate July wheat contract, etc.). These were traded independently of actual physical grain; as William Cronon put it, "The futures market was a market not in grain but in the *price* of grain." Thus came the well-known euphemism "paper-wheat." Indeed, many more contracts than the actual supply of the grain typically would be traded in the contract period, some by hedgers and many more by speculators. Morton Rothstein captured this apparent anomaly well: The futures market was a place where "men who don't own something are selling that something to men who don't really want it."

For each "buy" contract there was always a "sell" contract, although this would not be done privately but would be accomplished in a trading pit by CBOT members as brokers by open outcry. For each contract agreed to in the pit, there would be two separate parties, a long holding a "buy" at the price and a short holding a "sell" at that price—but these were independent, not between Mr. "A" and Mr. "B."

On the day the particular contract terminated, most of these contracts would be canceled out without any reference to actual grain by buyers and sellers agreeing to exchange the difference between the contracted price and the market price on that termination day. However, if the long wished to obtain the actual grain, he could hold his contract beyond this date. Processors of grain frequently used a long futures contract to obtain their supply. There were always equal numbers of shorts, so there automatically was a short remaining, and he had to deliver the grain—or come to an agreement with the long *on the long's terms* (for the latter could otherwise insist on the actual grain). If longs held contracts beyond the termination date at the same time as there was a shortage of actual grain that shorts need to acquire as their side of the bargain, the shorts were at the mercy of the longs—there either had been a "natural corner," caused by special supply factors, or the longs themselves had cornered the market by directly buying up cash grain in addition to the futures. Thus the presence of a futures market, with its speculators, enhanced the possibility of the corner. The speculators also brought positive inputs, providing the markets with liquidity and an enhanced process of "price discovery" through efficient supply-demand interactions. (The system elaborated here essentially describes today's futures markets, too.)

The Leiter episode is well worth recounting here, for its lessons had a major long-term impact on John MacMillan's grain trade beliefs. The man was Joseph Leiter of Chicago, "a beardless, strapping youth of twenty-nine

years [who] wrote two checks for $1 million each on two successive days" as "Chicago's youthful wheat king—a Harvard graduate corners the market" (so trumpeted *Leslie's Illustrated Weekly* in January 1898). Leiter had been buying wheat in such a torrent that he was "the largest wheat-owner in the world," accomplished without "a rumor, nor a story of a rumor, or cruel tactics with small traders, nor the suspicion of mean tricks in handling the giants who six months ago were beginning to congratulate themselves over the great fortune which the green horn in wheat announced he was bringing into the pit." The MacMillans were some of those "small traders." Leiter was a young man of wealth, "born of exceedingly rich and very honorable parents"; his father was Levi Leiter, a partner of Marshall Field in the great merchandising empire the two had built in Chicago. With such a combination of "honor, breeding and money" how *could* one lose?

The crescendo, though, was vintage soap opera, a monumental debacle for an enthusiastic neophyte who had taken on the giants of the speculative grain trade in an attempted corner—and failed. Leiter's opponent in what one analyst called "the keenest speculative duel in the history of the grain market" was the famous Philip Danforth Armour ("P. D."), the scion of the packing house of his name and also one of the most memorable speculators on the Chicago Board of Trade.

P. D. had had many clashes on the CBOT, particularly those speculative lessons taught him by the greatest of the 19th-century grain plungers, Benjamin P. Hutchinson. This crafty, calculating speculator, "old Hutch," had ranged over the Board of Trade floors in Chicago on many a devious plan, the most spectacular of which was his famous corner of the December wheat contract in 1888. Hutch was a "bull" then, long on wheat as a buyer, so long that the "bears" (the shorts) suddenly came to the realization that there was simply no wheat in the whole country that was available to fulfill their contracts with "old Hutch." P. D. was one of the bears and had no way to escape. Armour's biographer put it succinctly: "All they could do was pay up on Hutchinson's terms. They paid, and through the nose."

A decade later an older and much wiser Armour deviously put the same clamp on Leiter. "J. L." was being led right down the same path that Armour had trod 10 years earlier. Leiter's crowd, the "wheat syndicate," were bulls—and thought they had the market cornered. It was rumored that Leiter controlled some 47 million bushels of wheat at one point. The news splashed over the national press; even William Jennings Bryan, then a presidential candidate, was forced to put out a statement that the soaring prices were not caused by his "free silver" campaign. He need not have bothered. To Leiter's misfortune, not only had the war scare with Spain subsided but 1898 was a banner year for wheat production, and the short-

ages that Leiter had depended upon evaporated. Armour closed the trap, and Leiter—or we should say, his father, Levi—dropped something in the neighborhood of $9,750,000, a widely quoted but much disputed figure.

The experience so colored the MacMillan brothers' view of the wheat market that for years they were still referring to it. However, the depression itself was likely to have been the real culprit. The authors of the 1945 Cargill history stated that the brothers "made a serious miscalculation—they had entered a territory that was not as yet sufficiently developed. The undertaking was ten or fifteen years too early." This might have been true. Yet, taking into account the devastating panic and equally damaging drought, that judgment seems too simplistic.

The three brothers took their failure very hard. Perhaps the most crushed was the youngest, Daniel, who went back to La Crosse to work for W. W., where he had been employed prior to going to Texas. In March 1899, in a poignant letter to John Sr., he poured out his dismay: "I never have a nickle [*sic*] from one end of the month to the other and I am strapped all of the time. I am willing to endure this for a season if we can but prosper. I am eternally anxious to know how I am to meet the next bill. My present position is more worrying than when we were in business. For the past month or so I have been so worried that I am getting frightfully nervous again. . . . My past life has embittered and made a melancholy man of me." However, he ended the letter on a more hopeful note, "For a year or so at least we should save everything possible and make every kind of a sacrifice for our future welfare. There is a duty that you owe Will and I and there is a duty that Will and I owe you. Let's all be faithful in discharging that duty." The brothers had committed themselves to contribute funds to their father and sisters and to their Uncle Alexander.

Middle brother Will MacMillan chose to go into cattle raising on a piece of land near Lubbock, Texas, that the family had purchased earlier. The property was originally four sections and later became considerably larger. It was encumbered with debt (the three brothers owed $5,000 to W. W. Cargill among others), and the going was slow at the start. They lost 24 head of cattle in 1900, the first year Will was there, and even the mule died: "He ate too much green kaffir corn and busted." But things went better in 1901—enough so to buy more land—and by April 1903, the family owned five sections and were grazing an additional three. Will had quadrupled the herd, and although they still had the debts, the outlook was much brighter. Will was utilizing scientific breeding; he wrote, "In 3 or 4 years the good cattle will have entirely displaced the common sort, leaving the ranch in an ideal condition."

The legacy of the grain disaster stayed with the brothers for a long time. All three had to live as modestly as possible. When Daniel was to move to Minneapolis in 1903 on a new assignment for W.W., he asked the bank to

William Duncan MacMillan (left), John H. MacMillan (center), Daniel D. MacMillan (right), c. 1914.

Binder parade, Grapevine, Texas, 1899 (photographer unknown; Misc. Tarrant County Collections #34; courtesy Amon Carter Museum, Forth Worth, Texas).

lend him $400; he wrote John Sr. of the results: "He turned me down cold. I assured him that the money would not be spent faster than my account accumulated, but it seemed to make no difference to him. Evidently we have no standing in that direction . . . he glared at me with a banker's pitiless stare, he addressed me in a banker's heartless manner."

Will MacMillan worried about his isolation in Texas, "that there was considerable danger of a man getting countrified and rough." Later, he renounced the business world altogether and enrolled at the University of Chicago (earlier, he had graduated from Fort Worth University). In 1908, he obtained a Ph.D. in mathematics and astronomy. He wrote John Sr. at that time, just after his oral examination, "In the department of mathematics and astronomy this grade of Ph.D. has been given not more than 5 or 6 times (including myself) since the University started." His degree was *summa cum laude*. "Dan [MacMillan] is always aiming at the very top," he continued, "Well, here it is, and I know that he will be very glad to see it

a reality—not a dream." His father, mother, and two sisters later joined him in Chicago, and Will stayed at the University of Chicago for a lifetime of teaching and research (the latter including a number of successful inventions).[11]

Despite the unease John Sr. stated about "working for others," which he had expressed in that discouraged letter to Edna from Texas in September 1896, he also went back to La Crosse to work for W. W. Cargill, managing one of the firm's lines of country elevators. Robert Eliot's concerns to the contrary, John found W. W.'s empire reasonably intact, not fatally damaged by the Panic. We cannot be precise, for there are practically no remaining financial or operations records for the La Crosse side of the business in the 1890s. There *is* a legal story that is fully documented, for W. W. and Sam fought a case all the way to the United States Supreme Court.

Minnesota passed a law in 1895 requiring that all warehouses that received, stored and shipped grain and were situated along railroad right-of-ways had to obtain a license from the state (cost, $1) and be subject to state regulation regarding investigation of complaints. Pooling of freight by competitors specifically was prohibited. This was the so-called Country Warehouse Act, an extension of a similar law passed in 1893. There had already been stringent control of terminals by the state, but matters out in the countryside still remained full of alleged irregularities—misweighing and misgrading, control by the large lines to the detriment of independents, and a general lack of competition. The 1895 law addressed this.

The W. W. Cargill Company, the La Crosse organization, challenged the law, building its case on its Lanesboro warehouse, a tiny 8,000-bushel operation with minimal mechanization; all incoming wheat was bagged or shoveled out of farm wagons. Lanesboro might have looked the same as the first warehouse of W. W. in Conover back in 1865.

The Company argued that all grain that came in was owned only by Cargill and was shipped out on the Milwaukee Railroad directly to La Crosse and on eastward to Milwaukee, Green Bay, Chicago and the Atlantic Coast. Cargill averred that the act was unconstitutional and discriminatory in that it treated warehouses on railroads as a special case. The case finally wove its way through the legal channels to the Minnesota Supreme Court, which flatly turned down the Company's challenge. Where "the warehouse is sort of a public place," the majority opinion stated, "where farmers come with their grain . . . and the purchaser . . . acts as market-master, weighmaster, inspector, and grader of the grain . . . surely such a business is of a public character" and could be regulated.

Upon receipt of the state supreme court ruling, Cargill's lawyer wrote Sam Cargill, "it was certainly a very favorable decision for us if we care to get the opinion of the Supreme Court of the United States on this . . . we

had a great streak of Cleveland luck when our Supreme Court decided the case against us" (an apparent reference to Grover Cleveland's presidential victory in 1892). The lawyer soon persuaded the Cargill brothers to press the case forward.

But the lawyer had miscalculated. The U.S. Supreme Court (with Justice John Harlan writing the opinion) affirmed the Minnesota court in a long decision that carefully elaborated the reasoning of the lower court. It was a landmark case, clearly establishing that country elevators and warehouses were to be treated under the law essentially the same as their big-city terminal counterparts. Cargill complied—there was no further basis on which to fight.[12]

Sam Cargill's Management Style

By the 1890s, La Crosse had several newspapers, and it was apparent that both the D. D. and Alexander McMillan families, as well as the W. W. Cargill family, were prominent citizens whose daily activities, outings and trips were worth reporting. The McMillan families, of longer residence and wider involvement, were most often mentioned. W. W. Cargill, running such a wide-ranging regional business, was also quoted on economic tidbits. After a trip to the Black Hills in 1898, he was queried about crop prospects, "Well, the outlook is too good—I'm getting scared. I begin to fear this year is to be a duplicate of '78. Then the early prospects promised a record-breaking crop, and along came July rains that sent all our hopes to the 'demnition-bow-wows.' " (The 1898 harvest proved to be excellent.)

The editor of one of the papers, the *Morning Chronicle*, so bothered the business community with his favoritism toward the Democrats at the time William Jennings Bryan was running for president (on his 16-to-1 silver campaign) that a group of prominent townspeople, W. W. Cargill and Frank Hixon included, bought the paper in 1899 and substituted their own views. The editor agreed to stay, and did so for two years![13]

In Minneapolis, Sam Cargill had come into his own as a chief executive officer after replacing his brother Jim in 1888. The mid-1890s had not been very profitable for the Cargill Elevator Company, but by 1899 a dividend again was declared, a modest one of 9 percent of capital stock. In 1901, a substantial surplus of over $600,000 was divided among the shareholders, and the future of the Company (and of the times) seemed much more promising.

Testimony confirms that S. D. Cargill built a strong organization during his leadership of the Cargill Elevator Company. Contemporary sources note, in particular, his ability to draw around him outstanding men—names such as Lindahl, Chilton, Cooper, Owen, Prime, Hoople, and others—who will appear in later pages of this chapter. Salaries for these men were certainly not munificent, even for those days—in the Minneap-

Samuel D. Cargill, c. 1895.

olis office, Fred Gillett, William Young, E. S. Mooers and J. B. Cooper drew $125 per month in 1900 (Cooper was a key man, the barley trader, and did get a bonus that year of $1,000), and the rest of the salaries ranged downward to Fred Young's $25 and Martin Wilco's $30. There were 2 women in the total of 14 in the office, Miss L. J. Dew, drawing $75; and Miss H. F. Allen, small, varying amounts (perhaps she worked part-time). Sam Cargill took a salary of $7,500 per year (before he claimed his shareholder dividends), and Jim Cargill, with his reduced management role,

drew $5,000 per year. Yet these disparities in income seemed not to reduce effort, for the loyalties of this group became legendary.

Some of this certainly was due to the leadership of Sam Cargill himself. The 1945 Cargill history captured his personality: "S. D. was just as hard-boiled as W. W. Cargill was gentle, and although his associates in the business were scared to death of him and stories still abound of the awe in which he was held by employees, they loved him to a man" (perhaps too fulsome a compliment!). F. E. Lindahl, head of the Duluth office, often told the story of how Mr. Cargill "yelled at him to get his hat and coat and go over to St. Paul; how he was on the streetcar and well on the way before it dawned on him that in his haste to carry out orders he had forgotten to find out what he was going for."

Sam Cargill indeed had an intense loyalty to his people. In 1900, for example, a bad crop in the Northwest brought widespread layoffs in the Minneapolis grain companies, but Sam told the *Minneapolis Journal* that he would lay no one off—"this may cost us $50,000 . . . but what if it does? I shall feel a great deal better to pay them their income." In appearance, said the history, Sam Cargill was "different from his older brother, although both bore a decided family resemblance. He was a handsome, if not a striking looking man, except for one defect—he was wall-eyed." The authors continued, "There is a famous story in the trade about the time he rushed up to the telegraph counter in the Chamber of Commerce [now called the Minneapolis grain exchange] where wire operators were lined up one to each market. He gave a verbal order to sell ten December wheat to one of the operators, and a few seconds later executions came from both Chicago and Duluth."

Sam Cargill, too, was preoccupied with the Leiter corner, writing one of his shippers in early 1899, "the price of wheat is too low . . . [it] should never have sold in Chicago under 75 or 80¢ . . . but the collapse of the Leiter corner hurt so many in the trade that like a sick man, it had no power to recover" (cash wheat in Chicago had dropped from $1.85 in May 1899 to 62 cents in October).

Sam himself had had difficulty with the Chicago Board of Trade in mid-1897 when a Cargill barley shipment to Buffalo was disputed by the buyer. "We have no way of bringing the matter before the Board of Trade at Chicago," he wrote, "but I shall put it in the hands of a Chicago lawyer the coming week, and shall sue the contract in the courts." The Cargills had found that their lack of a clearinghouse membership in the CBOT put them at a disadvantage.

In the decade of the 1890s, the grain trade of the country had gone through one of the most significant changes in its history. Morton Rothstein commented on this:

> By 1905 . . . every stage in the movement of the wheat surplus from the Mississippi Valley basin to the Eastern centers and export markets had undergone a transformation. Most of the string of intermediaries between the country dealers and the seaboard docks had been eliminated or reduced to relatively minor functions. New, large firms in both the Midwest and the East dominated the internal trade and were reaching beyond the seaports to [make] direct contact with foreign markets, though they continued to share that trade with British and continental companies. There were still imperfections in the market, disputes about the grading systems, conflict between various elements of the trade. But the elevator system had maintained its flexibility while imposing uniformity, the entrepreneurial leadership had responded successfully to the continued changes in transportation and to the dynamism of the wheat frontiers east of the Rocky mountains.[14]

John MacMillan, Sr.'s involvement in the grain trade was now to change, for W. W. Cargill's wide-ranging interests had brought a new, non-grain endeavor—and he wanted John to head it.

Away from Grain: The Sawyer & Austin Lumber Company

Lumbering had been the first-rank corporate endeavor in La Crosse and elsewhere in Wisconsin in the 19th century. The MacMillans were among its leaders, but W. W. Cargill had never participated in it on a large scale. This changed with his involvement in the Sawyer & Austin Lumber Company, originally a Black River Falls, Wisconsin, firm, then based in La Crosse with the trade name Red Star Mills. The firm had been in operation in Wisconsin for about 30 years. In 1899, catastrophe struck, first with the death in a railroad accident of E. L. Arnold, who was co-general manager with W. E. Sawyer, then one month later, with the demise of the other partner, David Austin. Sawyer & Austin had purchased extensive lands in Pine Bluff, Arkansas, just before Austin had died, and now Sawyer, faced with settling the estates of the two men, found himself inadequately financed for the Arkansas venture. W. W. was his close friend and soon an appeal brought Cargill into the lumber operation despite (according to the 1945 Cargill history) "the opposition of his life-long friend, Mr. F. P. Hixon, of the lumber firm of Shevlin & Hixon." Hixon also had been one of the financiers of the ill-fated Texas grain endeavor of the MacMillans.

Construction had begun for a mill in Pine Bluff, but before much had been accomplished, Sawyer himself died of malaria in November 1899. The 1945 Cargill history chronicled (and embellished) the next step: "Since there was no one in the Sawyer & Austin Lumber Company of high enough caliber to carry on, Mr. Cargill was faced with the prospect of kissing his investment good-bye or launching forth on a new enterprise. With characteristic courage, he decided to see it through, and put J. H. MacMillan in charge, although he had no lumber experience." W. W. had acquired operating control through a majority of the stock, and a year later (1901) he picked up most of the rest. In 1900 he also acquired a 75 percent (later 100 percent) interest in the Banner Lumber Company, the St. Louis retail outlet for Sawyer and Austin.[15]